CLERK'S COPY:

Vol. II

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1940

No. 330

OPP COTTON MILLS, INC., ET AL., PETITIONERS,

vs.

ADMINISTRATOR OF THE WAGE AND HOUR DIVISION OF THE DEPARTMENT OF LABOR

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI FILED AUGUST 13, 1940.

CERTIORARI GRANTED OCTOBER 14, 1940.

FILED
AUG 13 1940
CHARLES ELMORE CROPLEY
CLERK

TRANSCRIPT OF RECORD

TESTIMONY

Volume II

Pages 391-709

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1940

No. 330

OPP COTTON MILLS, INC.,
Petitioner,

versus

ADMINISTRATOR OF THE WAGE AND HOUR DIVISION OF THE DEPARTMENT OF LABOR,
Respondent.

Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Fifth Circuit

INDEX

	PAGE
Abt, John	707
Adamson, W. M.	1301
Ames, J. F.	1381
Andrews, Elmer F.	821
Arnold, Harold D.	641
Arnold, R. O.	1021
Baldonzi, George	657
Barringer, L. T.	1675
Battle, Hyman L.	558
Bell, W. Ray	1030
Berry, John	987
Beswick, William	1661
Bowen, L. E.	1619
Bryan, M. M.	1429
Burow, H. C.	929
Cannon, Charles A.	883
Chastain, Gordon L.	735
Christopher, Paul R.	771
Comer, Donald	963
Craven, I. F.	947

INDEX (Continued)

	PAGE
Crocker, Paul E.	585
Dixon, Frank M.	1055
Dodge, Witherspoon	806
Dyer, Gus W.	1063
Entwistle, W. H.	915
Estes, Elmer	748
Ferguson, A. H.	627
Fisher, Russell T.	520
Graham, Frank Porter	755
Griffin, Walter A.	519
Hamilton, Mary Pearce	1013
Harrington, James P.	594
Hatch, M. L.	613
Jennings, Ray	1157
Jennings, L. C.	1189
Johansen, P. H.	1149
Johnson, L. James	743
Jones H. M.	951
Kimberly, L. C., Jr.	1109
Kimble, Frank M.	625
Lewis, K. P.	827
Lubin, Isadore	391

INDEX (Continued)

	PAGE
Lynch, Francis	1413
McCann, James H.	647
McKelvey, Gordon W.	1563
McMillan, E. J.	1199
Mager, Mrs. Margaret	1467
Manley, John W.	515
Miller, Clarence R.	1435
Mizell, C. W.	1387
Moorehead, William A.	505
Morley, Louis R.	581
Morris, E. H.	1401
Nixon, Herman Clarence	711
Orr, M. P.	1007
Perlman, Jacob	393
Phelan, Eugene F.	683
Pollard, John W.	727
Powel, Samuel	575
Redmond, Paul A.	1635
Rivers, A. B.	1028
Sanders, R. D.	1565
Schenck, John F.	939

INDEX. (Continued)

	PAGE
Sheppard, C. C.	1233
Shiskin, Boris	703, 753, 817
Sirriene, J. E.	1159
Spencer, Terrell	1617
Stall, Earl R.	993
Stokes, Davis	1029
Thomas, B. F.	788
Tolles, Newman Arnold	397
West, Robert R.	1084
White, Hugh	1041
Youngblood, John R.	924

TESTIMONY OF ISADOR LUBIN (T. 11)

The witness testified as follows:

Direct examination by Mr. PITTS:

Q. Will you please state what your present occupation is?

A. As Commissioner of Labor Statistics, I am in charge of Bureau of Labor Statistics, which is responsible for the collection of various types of statistical data bearing on labor and various industries.

Q. How long have you held that position, Dr. Lubin?

A. Since July of 1933.

Q. I now hand you Committee's Exhibit Number 1, for identification, and ask you to briefly state the contents of that and how it was prepared.

A. This document, entitled "Wages in Cotton Goods Manufacturing Industry, Bulletin Number 663 of the Bureau of Labor Statistics," was issued in November 1938. It is an analysis of the economic situation in the cotton goods industry, and discusses not only the wage structure in the industry and the distribution of earnings in the industry, but also attempts to give a picture of the economic factors that are at work in the industry, namely, its historical growth, changes in spindles and capacity, changes in cotton consumption, mill margins, profits, foreign trade, and other relevant factors that have a bearing upon the economic conditions that prevailed in the industry.

The material on earnings of workers in the industry is, in a sense, the bringing up to date of data that the Bureau regularly collects for this industry. Since the Bureau was founded, it has made nineteen surveys of wages and hours in the cotton goods industry; from 1907 to '14, these surveys were made annually; from 1914 to 1934, they were made biannually, and another survey was made in April of 1937.

These surveys are made by a field force who go into the mills, get a copy of the pay roll, and, on the basis of the information secured from that pay roll, the Bureau of Labor Statistics computes different types of information bearing upon average earnings in the industry.

The survey of April 1937 covered 244 firms that employed approximately 90,000 workers. On August 1938, at the request of the Administrator, the April 1937 survey was brought up to date.

Q. That is, the Administrator of the Wage and Hour?

A. Yes; Bulletin 663 which I have here marked "Exhibit Number 1", is the April 1937 survey brought up to date in August 1938. The August 1938 survey covers the same 244 firms employing approximately 90,000 workers. In our analysis of the data secured as a result of this survey, we have attempted to portray the wage and earning situation in the industry, not only in terms of averages for the industry as a whole, but in terms of averages for individual mills, in terms of averages for various occupations in the industry, as well as in terms of averages for section, color, geographical regions, and so forth.

Q. Was this prepared under your immediate supervision or by someone else?

A. The study was—this study, Bulletin Number 663—was prepared under the direction of A. F. Hinrichs, Chief Economist of the Bureau of Labor Statistics. He and Mr. Perlman, who is Chief of the Wage and Hour Division of the Bureau of Labor Statistics, were responsible for organizing the survey. Mr. Perlman was responsible for the actual collection of the figures. Mr. Hinrichs was responsible for the economic analysis, both of the general factors affecting the industry, as well as of the Wage and Hour data, and after preliminary analysis was made, I personally, in conjunction

with Mr. Hinrichs, went over the data to check up the validity of any conclusions that might be made.

Q. You collaborated in the analysis yourself?

A. Yes.

Q. Would you state where Mr. Hinrichs is at present?

A. Mr. Hinrichs, at the moment, is in Geneva, Switzerland, attending a meeting of the International Labor Organization as an advisor to the United States Delegation to that meeting.

Mr. PITTS. That is all the questions I have to ask.

Administrator ANDREWS. Any questions of the witness?

Mr. PITTS. There are no questions, so that is all.

TESTIMONY OF JACOB PERLMAN (T. 14)

The witness testified as follows:

Direct examination by Mr. PITTS:

Q. Will you give your full name and address to the Reporter, please?

A. My name is Jacob Perlman. I am chief of the Division of Wage and Hour Statistics of the Bureau of Labor Statistics.

Q. How long have you held that position?

A. Over five years.

Q. Did you, as a part of your duties, undertake a study of the Wage and Hour conditions in the cotton textile industry?

A. Yes; I did.

Q. I hand you Committee's Exhibit Number 1, for identification. Will you state what part you had in the compilation of the data that is contained in there?

A. As Chief of the Division of Wages and Hours and Bureau of Labor Statistics, I have charge of the collection and compilation and the preparation of the tables. Mr. Hinrichs analyzed the information.

Q. Will you state when that study was begun and how it was conducted?

A. This survey was made in April 1937. It was a field survey which was begun about that time. The information obtained was as of that month; the field work was finished by July 1937, and after that we compiled a mimeographed report based on April 1937 figures. Upon the request of the Administrator of the Wage and Hour Division, we sent out a supplementary mail questionnaire which endeavored to obtain the changes in wage rates that had taken place since April 1937 up to August 1938, and this bulletin embodies the figures therefor as of August 1938.

Q. The original study of rates, wage rates, was made by questionnaire?

A. No; the original study was a field study made by field representatives of the Bureau of Labor Statistics, who made actual visits to the various plants and transcribed from the pay roll records of the various firms the necessary information.

Q. This is not a study of the entire industry?

A. No, this is based on a sample.

Q. How did you select that sample?

A. The sample was selected very carefully. We started out, first of all, with a complete, more or less a complete list of all the plants in the industry, and with respect to each plant, we had information concerning the location, size, and other factors, and then on the basis of that information, and a complete list, we selected a sample of 20 percent which was representative of the entire industry as to geographical distribution, size of establishment, corporate affiliation, and other factors.

Q. Why was not 100 percent survey made?

A. Because it would be very expensive, and it would take an enormous length of time, and besides you can get as good results from a sample that is carefully selected as you would by making a complete coverage of the industry.

Q. Have 100 percent surveys been attempted in other industries?

A. Only in very small industries. Whenever you have a small industry, let's say with about five or ten thousand employees scattered all over the country, it is safer to take a 100 percent coverage, but when you are dealing with a large industry, which is more or less concentrated, and concerning which you know a good deal, as we do, because we have made surveys for thirty years in that industry, it is perfectly safe to select a sample and draw your conclusions on the basis of that sample.

Q. You have no legal right to enter the plants of various industries and collect data?

A. No, we do not. It is based on pure cooperation.

Q. And in your experience, do you get 100 percent cooperation?

A. We did in this instance, as far as I remember we got it. In case a plant turns us down, in some instances we get what we call a substitute, and a substitute occupies the same position in the industry as the original plant did, that is, with respect to location and size.

Q. Can you explain further how you choose that substitute in the case you do not get cooperation?

A. We select a plant more or less located in the same location, of the same size, making the same product. Sometimes, lack of cooperation is due to the unavailability of records and things like that, we have to do it.

Q. Now, Dr. Perlman, do you believe that the study contained in Bulletin 663, now introduced or offered as

Committee's Exhibit Number 1, for identification, accurately reflects the wage structure as of the time it was published?

A. I do.

Q. Have you made any further studies to determine whether or not it accurately reflects the present wage structure in the industry?

A. Every month the Bureau of Labor Statistics obtains reports from a large number of establishments on employment and pay rolls. Now, we made a check of those reports since August 1938.

Q. At what time did you make this check?

A. Saturday.

Q. And it covers what period?

A. It covers every month since August 1938.

Q. Up to the time of check?

A. Up to the time of—well, I should qualify that, give you the exact month—April 1939.

Q. Until April 1939—I interrupted you; I beg your pardon.

A. We found that outside of the adjustment, which the industry has had to make in order to conform to the 25 minimum in accordance with the law, last October, there had been no important changes in wage rates in the industry.

Mr. PITTS. That is all I have to ask.

Administrator ANDREWS. Any questions of the witness?

Mr. ABT. John Abt, counsel for Union Workers of America.

Cross-examination by Mr. ABT:

Q. Dr. Perlman, did you make any check of the data obtained in the sample against other information in your possession in the Bureau of Labor Statistics to determine the accuracy of that—

A. (Interposing.) We checked our figures against the employment and pay-roll data for the same months, August 1938.

Q. And what did you discover as to the accuracy of your sample from that data?

A. We came to the conclusion that our sample was very accurate.

Q. And what was the coverage of your employment and pay-roll data?

A. I think it was around an 80-percent coverage.

Q. 80 percent?

A. Yes. Now, this is based on memory, but it is a very high coverage. I think in terms of employment and pay-roll figures, the coverage was nearly 95 percent, but a number of firms did not have man-hour figures, and, therefore, from the standpoint of hourly earnings, which you can only compute if you have man-hour data, the coverage is less than that, I would say around 80 percent.

Mr. ABT. Thank you. That it all.

Administrator ANDREWS. Any other questions.

TESTIMONY OF NEWMAN ARNOLD TOLLES (T. 24)

The witness testified as follows:

Direct examination by Mr. PITTS:

Q. Will you please give your full name and address.

A. Newman Arnold Tolles, 3412 Quebec Street, NW., Washington, D. C.

Q. What is your present occupation?

A. I am assistant to the Chief Economist of the Wage and Hour Division.

Q. How long have you held that position?

A. Since last September.

Q. Will you state the extent of your education and training in the economic field?

A. I have degrees either in business or in economics from the University of Chicago, from Harvard University, and also work at the London School of Economics.

Q. Have you had any teaching experience in Economics?

A. Five and a half years teaching of Economics at Mount Holyoke College, Smith College, and lecturing at the University of California.

Q. Prior to your employment in the Wage and Hour Division, what was your position?

A. I was assistant to the Chief Economist of the Bureau of Labor Statistics.

Q. And as such, were you engaged in the preparation of studies of wages and employment?

A. I was.

Q. What was the nature of those studies?

A. I have a few of them here. I prepared a published study of wage rates and weekly earnings in the woolen and worsted goods industry, 1934, Wage Rates, Hours, Employment and Annual Earnings in the Motor Vehicle Industry, 1934, an article on regional differences in cotton textile wages, 1928 to 1937.

I also assisted in the preparation of the Section Report to the Senate on Migration of Workers and in the preparation of Bulletin 663, which has been introduced, I believe, as an Exhibit in this proceeding.

Q. How long ago did your special studies in the textile industry field take place?

A. In 1935, soon after I was first employed in the Bureau of Labor Statistics.

Q. Do you remember the date of the appointment of the Textile Committee, Committee Number 1?

A. I do; September 13, 1938.

Q. Did you attend the meetings of this Committee?

A. I did.

Q. All of them?

A. Yes, all of them, all of the meetings of the full committee and all but part of one of the sessions of the subcommittees.

Mr. PITTS. Mr. Administrator, I offer as Committee's Exhibit Number 2, for identification, this material on the definition of the textile industry.

(Committee's Exhibit Number 2, Witness Tolles, marked for identification.)

By Mr. PITTS:

Q. I hand you that material, Mr. Tolles, and ask you what it contains? Can you give a brief summary and the method of its preparation, if you know?

A. This is a 52-page report on definition of the Textile Industry, prepared in the Bureau of Labor Statistics at the time I was then employed there. It is the report to which the Administrator referred to formerly and later Industry Committee Number 1, of the problems involved in drawing a definition for the purpose of determining on minimum wages in the textile industry.

It contains an analysis of the production of textiles in establishments primarily engaged in making other products, and an analysis of the production of other products in establishments engaged in making textiles. Its preparation was begun in August 1938, before the Administrator had appointed this committee.

It was completed after his initial definition was drawn up and it was presented, first of all, by Commissioner Lubin to the Administrator of the Wage and Hour Division and by the Administrator to the members of Industry Committee Number 1.

Q. Was this material available to the Administrator prior to the original definition?

A. It was.

Mr. PITTS. I offer this in evidence as Committee's Exhibit Number 2.

Administrator ANDREWS. All right.

(Committee's Exhibit No. 2, Witness Tolles, received in evidence.)

By Mr. PITTS:

Q. Mr. Tolles, as a result of your studies in the textile industry, and from your studies of the material on the definition, and as an economist, do you believe that the final definition of the Administrator as formulated in Administrative Order 25 on May 22, 1939, is economically appropriate as a definition of an industry for the purpose of determining a minimum wage for that industry?

A. I believe it was very appropriate for that purpose. There were certain questions I left to a recommendation by the Industry Committee, itself, certain border-line questions, as I understand it, on which more advice was desired.

Q. Now, it is the final definition as of May 22d, that I have asked you.

A. I am speaking of that final definition and explaining that those certain questions were left open.

Q. Not in the final definition?

A. No, in the earlier definition. The final definition was drawn with regard to the recommendations which the Industry Committee, itself, made, that is, as regards the further processing of certain products primarily produced in textile mills.

Q. And the recommendations of the Industry Committees, of the Industry Committee, were economically

appropriate, you believe, for the purpose for which this definition has been drawn?

A. I believe they were.

Q. Mr. Tolles, have you made a study of the geographical location of the textile industry, as that industry was finally defined by the Administrator?

A. I have.

Q. Will you state the results of that study, please?

A. To shorten proceedings, if I may, I will read a brief statement. According to my calculations based on the census of manufacturers, slightly over 89 percent of the total value of textile products, under the jurisdiction of Industry Committee Number 1, were obtained from ten states in 1935. These states, in the order of their importance, are as follows; North Carolina, South Carolina, Massachusetts, Georgia, Pennsylvania, New Jersey, Rhode Island, New York, Alabama, and Connecticut.

These states, these ten states, account not only for nine-tenths of the value of products, but also nine-tenths of the number of establishments and of the number of employees in the textile industry.

In terms of the standard geographical regions used by the Bureau of Census, the North accounted for 8.45 of the value of product, 45 percent of the wage earners, and 69 percent of the establishments. The leading individual regions within the North or the New England and Middle Atlantic regions, accounting respectively for over 24 and 21 percent of the value of products, 24 and 19 percent of the wage earners, and 18 and 47 percent of the establishments. These two regions, together, thus contain 45 percent of the value of product, 43 percent of the number of wage earners, and 65 percent of the number of establishments.

The South accounted for 51.5 percent of the value of products, 55 percent of the employment, but only 31 per-

cent of the establishments. The South Atlantic region, including particularly the states of North Carolina, South Carolina, and Georgia, accounted for 43 percent of the value, 46 percent of the employment, and 25 percent of the establishments.

Now, that information relates to the textile industry as a whole as defined. Considering separately the major subdivision of the industry, namely, the cotton manufacturing branch, we find that five states account for nearly three-fourths of the value of the product, 77 percent of the wage earners, and 62½ percent of the establishments. These five states are Massachusetts, North Carolina, South Carolina, Georgia, and Alabama.

In this single branch of the industry, the cotton manufacturing branch, the South as a whole accounted for 70 percent of the total value, 73 percent of the wage earners, and 59 percent of the establishments.

In the case of the dyeing and finishing branch, that is, dyeing and finishing cotton, rayon, and silk, six states account for 76 percent of the wage earners and 74 percent of the value of product. The North, as a whole, accounted for 75 percent of the wage earners and approximately the same percentage of the value of product.

Mills classified by the Census as belonging to the rayon branch were concentrated mainly in four states, Massachusetts, Rhode Island, Pennsylvania, and North Carolina. Together, these states account for 69 percent of the employment and 67 percent of the value of the product. The North as a whole accounted for 71 percent of the wage earners and 71 percent of the value of product.

In the case of the silk manufacturing branch, four states, Connecticut, New York, New Jersey, and Pennsylvania, accounted for over four-fifths of the employment and for more than 78 percent of the value of

product. Pennsylvania alone, in the silk manufacturing branch, accounted for more than 50 percent of the employment, and nearly 39 percent of the value. In the silk branch, the North as a whole accounted for over 90 percent of the employment and of the value.

Finally, in the cordage, twine, jute goods, and linen goods subdivision of the industry, a total of six states namely, Massachusetts, New York, New Jersey, Pennsylvania, North Carolina, and Alabama, accounted for nearly 72 percent of the employment and approximately 73 percent of the value of product. Again the North as a whole was the more important section, accounting for 65.2 percent of the employment and 71.4 percent of the value of product.

From these figures it is evident that the textile industry, as well as each of its representative subdivisions, is concentrated in a comparatively few states.

Mr. PITTS. By the way, Mr. Tolles, you are aware that certain applications for differential in wages because of regions were made to the Committee. For the benefit of the Administrator, would you state the amount of production in Texas by value?

The Witness: In the cotton goods branch of the industry, the percentage is 0.83 percent.

Q. Will you give the same figures with respect to the Southwest territory?

A. The Southwest defined as closely as we can, as a freight rate territory, would include Louisiana, Texas, Oklahoma, and Arkansas.

Q. Would it include those entire states?

A. For the purpose of these figures it includes those entire states although the freight rate territory cuts through Louisiana. In those four states, including Texas, and therefore including the figure I have given a moment ago, the percentage of the total value of the product of cotton goods amounts to 1.16 percent.

Q. What is the value of the product in Mississippi, produced in Mississippi, of the textile?

A. Just a little over half of one percent, 0.54.

Q. Now, if you have them, would you give the percentage of employment?

A. Yes, I have that.

Q. In those three divisions?

A. In Texas alone the percentage of employment is 0.93.

Q. The actual number?

A. The actual number is 3,567.

Q. These figures are taken from what sources?

A. They are all taken from the Census of Manufacturers for 1935, because the Census of 1937 is still incomplete.

Q. And the same figures with respect to the Southwest territory, as you have described it?

A. Total number of wage earners, including those in Texas, which I have just given, 4,723, which is 1.23 percent of the total number in the cotton manufacturing branch. In Mississippi alone, 2,683, which is 0.7 percent of the wage earners in the cotton manufacturing branch.

Mr. PITTS. I offer for identification, Committee's Exhibit Number 3.

(Committee's Exhibit Number 3, Witness Tolles, marked for identification.)

By Mr. PITTS:

Q. Mr. Tolles, will you describe this material and tell the source of it, how it was prepared?

A. This table is entitled "Percentage Distribution of Total Value of Production of Textiles and of Population in the Ten Major Textile Producing States." The figures were computed under my direction from the Census of Manufacturers for 1935 and for the last

available complete Census of Population which was for the year 1930.

The state of North Carolina, as this table shows, which produces 18 percent of the value of textiles, has only 2.6 percent of the population of the country. The ten states which I gave before as leaders in the textile industry as a whole, account for nine-tenths of the value of product, but hardly more than 10 percent, only 35 percent of the population of the country. Putting it around the other way, there are 38 states containing 64.6 percent of the population, which contribute only 10.7 percent of the valued product of textiles.

Mr. PITTS. Mr. Administrator, I offer this as Committee's Exhibit Number 3. I believe it is clear evidence of the entire state character of the textile industry.

(Committee's Exhibit Number 3, Witness Tolles, received in evidence.)

By Mr. PITTS:

Q. Mr. Tolles will you tell the Administrator the principal consumers of the textile industry?

A. As is shown in Bulletin 6C3, which is in exhibit, 40 percent of the cotton consumed in the United States is for wearing apparel, 40 percent for industrial and agricultural purposes, and 20 percent for household uses. In view of the importance of the apparel industry as a user both of cotton and of the other textiles, information as to the location of the apparel industry can also be used to indicate the distribution of products of the textile industry. The 1935 Census of Manufacturers shows that 53 percent of the value of apparel, excluding knit goods, was produced in New York, while only 5.7 percent of the textiles, in terms of value, were manufactured there.

Another example is Ohio, which produced 3 percent of the apparel and about two-thirds of the rubber tires

and thus was an important user of cotton fabrics. That state produced only five-hundredths of one percent of the cotton textiles and two-tenths of one percent of all textiles as defined in the order setting up this Committee.

On the other hand, North Carolina producing, as I have said before, about 18 percent of the textile products of the country in terms of value, produced only about one-half of one percent of the value of apparel.

South Carolina produced less than one-tenth of one percent of the apparel, but produced textiles valued at 13 percent of the total value of the United States textile production.

Q. What are the sources of the raw materials used in the textile industry as defined?

A. Raw cotton, raw silk, rayon, and, for certain mills, yarns made of these materials.

Q. And the sources of those materials?

A. The raw cotton comes, of course, almost entirely from the southern section of this country. Eighteen percent of the total consumption, by the way, in the textile industry, by pounds, was of cotton; 9 percent was rayon; 1½ percent of the weight was silk; and I did not mention that there are small amounts of wool, amounting to 7.9 percent of the total poundage, consumed by the textile industry as a whole.

Turning back to raw cotton, the imports of raw cotton amount to about 2.1 percent of domestic consumption. Almost all of the rayon yarn is, of course, produced in this country, and all raw silk is imported. Imports of silk yarn are negligible compared with imports of raw and waste silk.

Similarly the users of flax, jute, and hemp import their raw materials from foreign countries. The flax produced in this country is used almost entirely for flaxseed. We use the texile fiber as imported, while

jute and hemp are tropical properties not grown in this country.

Q. Have you made any analysis of the relation of wages and employment among the different branches of the textile industry as that industry has been defined by the Administrator?

A. I have.

Q. Will you give us the results of that analysis?

A. A minimum wage will not substantially curtail employment in the cotton manufacturing branch, will meet the same test, with something to spare, for the entire textile industry, under the jurisdiction of Industry Committee Number 1. Cotton mills employ three-fifths of all the workers by the recommendation now at issue. This fact by itself would justify primary attention to the cotton branch. In addition the level of hourly earnings in every other major branch of the textile industry is higher than in the cotton branch as compared with an average of 38.4 cents an hour in cotton mills, the workers in silk and rayon mills earned an average of 42.2 cents, those in other fabric mills averaged 47 cents and those in dying and finishing plants 53.8 cents in February of this year.

Q. What are the sources of these figures?

A. Those are taken from the monthly reports of the Bureau of Labor Statistics as published in the monthly Labor Review. These four branches that I have mentioned represent more than nine-tenths of the workers covered by the jurisdiction of Industry Committee Number 1.

My own conclusion then as to the effect of a 31½ cent minimum on the textile industry, my own conclusions would follow, are based specifically on detail results of field investigations actually made in cotton mills. The effect on the entire textile industry is certain to be smaller than the effect upon cotton mills, be-

cause the proportion of all textile workers who now earn less than 32½ cents is smaller than the proportion of cotton mill workers who earn less than that amount.

Q. Have you made any analysis of the effect of 32½ cents minimum wage on the employment in the textile industry?

A. I have.

Q. And what are the results of that analysis, Mr. Tolles?

A. That is a rather lengthy matter, and I will be forced to read a statement making it as brief as possible. My opinion is that a minimum of 32½ cents will not result in substantial curtailment of employment in the textile industry, is a result of an analysis of wages and cost in the cotton manufacturing branch. In making this analysis, I have drawn primarily on information supplied by the Bureau of Labor Statistics, somewhat upon my experience with that organization. I have been assisted by Mr. Harry Douty and Mr. Frank Stocking, of our staff. I have traced the effect of a 32½-cent minimum upon the wage bill of the cotton branch, manufacturing costs in the cotton branch, and upon retail prices of some leading prices of cotton products.

I begin with the Committee Number 1, Bulletin 663 of Labor Statistics, which contains the study of individual workers in 244 plants, employing 89,000 workers in the cotton goods branch in August 1938. This information shows that the cotton textile industry, in August 1938, paid an average hourly wage of 38.35 cents. The average in the North was 44.6 cents, and the South 36.6 cents. About 34.8 percent of the workers in cotton manufacturing were making less than 32.5 cents an hour. A wage order embodying the recommended minimum of 32.5 cents would result in wage in-

creases of 5 to 7.5 cents an hour for 12.7 percent of the workers. From 2.5 to 5 cents an hour, for 6.2 percent of the workers. Rather 2.5 cents or less per hour for 15.9 percent of the workers.

Putting the matter in different terms, 45.8 percent of those who would receive direct increases from the 32.5 cents minimum will obtain increases of not more than 2.5 cents an hour. These data, although interesting and important, do not tell us to what extent the wage bill of the industry will be increased by a 32.5 cents minimum. It is necessary to calculate the increase in earnings which will be received by each group of workers now earning similar amounts as well as the proportion of the industry's wage bill now received by each of these groups. Just how these calculations are made is explained in a memorandum of the Economics Section prepared under my direction.

Mr. PITTS. Mr. Administrator, I offer as Committee's Exhibit Number 4, for identification, this material.

(Committee's Exhibit Number 4, Witness Tolles, marked for identification.)

By Mr. PITTS:

Q. Mr. Tolles, I hand you Committee's Exhibit Number 4 for identification, and ask you to state briefly what that material is and how it was prepared.

A. This is a memorandum from the Economics Section of the Wage and Hour Division, prepared under my direction, to Industry Committee Number 1. It is entitled "The Possible Effect of Different Minima, 25 cents to 40 cents Per Hour in the Cotton Textile Industry on Labor Costs, Manufacturing Costs, and Prices." In this memorandum the effect of various minima ranging, beginning at 27½ cents and at 2½-cent intervals to 40 cents, were investigated.

The effect on the wage bills of the industry as a whole were shown and the report also shows the effect of

various minima on small groups of mills classified on the basis of average hourly earnings made in August 1938. This information is given for integrated mills in the North, integrated mills in the South, and spinning mills in the South.

The effect of various minima on unskilled, semi-skilled, and skilled workers in the North and in the South, in integrated mills, and in southern spinning mills, is also set forth.

The report also shows the effect of various minima on manufacturing costs for the industry as a whole and for groups of mills classified as above. Class estimates are also given as to the effect of various minimum wage standards on retail prices. The contents of this memoranda were discussed before Sub-committee "D" of Industry Committee Number 1 on March 1, and the memorandum itself was mailed to all members of the full Committee.

Q. By the way, this material was presented to the Industry Committee Number 1?

A. It was.

Q. Does it at any place contain an opinion as to what the proper minimum wage should be for this industry?

A. It does not. No point.

Mr. PITTS. Mr. Administrator, I offer as Committee's Exhibit Number 4, this material.

(Committee's Exhibit Number 4, Witness Tolles, received in evidence.)

By Mr. PITTS:

Q. Will you proceed with the analysis?

A. I have indicated that my own calculations as to the effect of a 32½ cents rate are explained in this memorandum. In particular the method of making them. On pages 3 to 6 in making these calculations, I first assumed that all employees are now being paid

the legal minimum of 25 cents an hour. The additional cost to the cotton branch will involve the raising of the lowest paid workers from 25 cents an hour rather than from the rates paid in August 1938.

My calculations show that the recommended minimum will increase the wage bill of the industry as a whole by 4 percent even. The 40 percent rate by comparison, which is the highest possible under the Act, would increase the wage bill of the whole industry by approximately 16 percent, while the 30 rate which becomes mandatory next October will result in an increase of about 1.9 percent in the wage bill of the cotton textile branch as a whole.

Thus the difference between the recommended minimum of 32½ cents and the impending mandatory minimum of 30 cents amounts to 2.1 percent of the present wage bill of the cotton branch.

Now, I have checked my own calculations as to the effect of 32½ cents against the results obtained by two other methods which differed from my own. The method employed by the Cotton Textile Institute is described in the brief of that organization as submitted to Industry Committee Number 1. An increase of 4.2 percent in the wage bill of the cotton branch was calculated by the Institute to result from a 32½ cents minimum.

The method used by certain representatives of workers is described in the appendix to the brief of the Textile Workers' Organizing Committee, which was also submitted to Industry Committee Number 1. This third method, when applied to a minimum of 32½ cents, shows a wage bill increase of 3.8 percent. That result was not submitted to the Industry Committee, but I have used the same method.

All three methods, my own, that of the employers' representatives, and that of the workers' representa-

tives, indicate an increase close to 4 percent in the wage bill of the cotton branch. My own calculation happens to fall exactly between the other two. In view of this striking agreement of the estimates made by three independent methods, there can be, in my opinion, little question as to the essential validity of the figure I have cited. I have found also that it represented minimum cost increase of 6.25 percent in the wage bill of the dominant cotton sector. By use of the Cotton Institute method of calculation a 6.6 percent increase can be anticipated.

In my judgment, Mr. Administrator, the very moderate increase in wage cost that will result from the recommended minimum will not substantially curtail employment or earning power of the workers, and very likely will not result in any net unemployment at all.

I should like to emphasize the fact that these estimates include not only the increases necessary to bring workers now receiving less than 32½ cents up to that figure. They also make allowance for some increases in wages above the minimum. Allowance for wages, increases above the minimum, has been made on the basis of NRA experience.

Now, our own method of doing that was to apply a factor of 8.1 percent increase in the North and 14.4 percent increase in the South, to the direct increases. That is, the final figure which I have just given represents 108.1 percent of the direct increase in the North and 114.4 percent of the direct increase in the South. The figures for direct increase alone amount to 5.5 percent in the South; after the allowance for increases above the minimum that figure becomes 6.25 percent. For the industry as a whole, the result of these calculations for direct increase alone is a 3.5 percent increase, resulting in a 4.0 percent increase, making allowance for increases above the minimum.

On the other hand, the final figures which I have given do not, of course, take into account the rather slight increases in the wage bill necessary to bring all workers up to 25 cents in October. If these are taken into account, representing not only the present increase in the wage bill, but for certain purposes, perhaps, the increase in the wage bill over the whole period of time from last August up to such time as a 32½ cent minimum might be applied, I would get a result of 7.7 percent increase in the South, and 5.0 percent increase in the branch as a whole.

Administrator ANDREWS. Why do you say since last August?

The WITNESS. Because August was the date for which the Bureau of Statistics' latest detailed figures were applied. That was, of course, before the Act went into effect, and figures have been cited as to the increase dating from August.

I want to make it clear that the figures on which I am primarily relying neglect a small increase from August to October, and compute the increase from this point on. On the other hand, they apply a factor above the direct increase required to get workers up to 32½ cents as an estimated allowance for increases above the minimum, and those figures computed in that way, I will repeat, result in an increase in the wage bill of the entire cotton manufacturing branch of the industry of 6.25 percent in the South and 4 percent in the cotton branch as a whole.

Now, the increases above the minimum, I believe, may be expected to occur somewhat gradually, depending in part upon the financial position of the various mills in the industry. In other words, the full effect of the moderate increase that I have shown will not be felt all at once. The total effect on the industry will also be less than I have indicated, because existing wages in

narrow fabrics, rayon, silk, and dyeing and finishing, are higher than in the cotton manufacturing branch. All that concerns increases in the wage bill.

Now, wages represent only one of the costs of manufacturing textiles, and therefore the effect of the recommended minimum on manufacturing costs will be much less than its effect on the labor costs alone. I have shown the effect of the recommended minimum on the wage bill in the whole branch and in the southern sector.

In order to show its effect on manufacturing cost, the proportion that labor cost forms of total manufacturing cost must now be considered. Labor cost as a proportion of total cost varies from mill to mill, depending largely upon the type of product manufactured. For the period January to June 1936, the Federal Trade Commission found that labor costs, direct and indirect, in integrated cotton mills, ranged from 23 percent to 40.8 percent of total manufacturing costs. The average was 29.2 percent.

In the memorandum now identified as Committee's Exhibit Number 4, the ratio of labor cost to total manufacturing costs during this period of investigation, January to June 1936, was adjusted to take account of changes in wages and of raw cotton prices that had occurred between this period and the third quarter of 1938. After this adjustment, labor costs were estimated to average about 36 percent of total manufacturing costs. I think that this proportion holds good at the present time.

I have already shown that the 32½ cents minimum will increase the wage bill of the cotton textile branch as a whole by 4 percent. Manufacturing costs should therefore increase by 36 percent of 4 percent or by 1.44 percent. In the South where the wage bill increase was computed as 6.25 percent, the increase in manufacturing

costs should be about 2.25 percent. These are, of course, average increases. In some mills manufacturing costs will increase by more than the average, while in other mills the increase will be less.

I will discuss, if I may, when you desire, Mr. Administrator, the range of the increases in costs which may be expected as a result of the 32½ cents minimum.

I come now to the effect of the recommended minimum on retail prices. I am convinced on the basis of my study of the matter that price increases to consumers as a consequence of the introduction of a 32½ cents minimum wage will be too small to effect appreciably the demand for textile products or the volume of employment in the industry. In fact, it is not certain that the very moderate rate increase in cost occasioned by a 32½ cents minimum will be reflected in retail prices at all.

I do not mean by that that retail prices will never change after this order, such time as this order might be put into effect. I mean that I can see very little reason why the direct effect of this order should be a factor, making any marked change in the final retail prices.

This memorandum on costs and prices, now identified as Committee's Exhibit Number 4, shows at least three possible results which may follow the introduction of a minimum wage in the textile industry as regards prices.

One, an increase in the price to consumers of cotton products.

Two, an offsetting of increased costs in some mills by manufacturers and manipulations of other cost factors.

Three, absorption of the increased costs out of profits of some concerns in the change from manufacturers to wholesaler or retailer.

To these I should like to add a fourth, namely, an increase in the efficiency with which labor is used to offset the increased wage bill increases.

If I may, I will explain each of these possibilities briefly. Even if the full increase in cost produced by the 32½ cents minimum is placed on the consumers, the advance in retail prices should be relatively slight. For purposes of illustration, I will use the example of cotton dress shirts. This example is contained in this memorandum to which I have just referred. A full explanation of the method used in making this calculation is given on pages 21 to 23 of that memorandum. The difference is that the calculation there presented was for a 20 percent increase in the wage bill, as against a 4-percent increase which I am now using, resulting from the 32½ cents minimum.

Administrator ANDREWS. What exhibit was that?

Mr. PITTS. Exhibit 4, I believe.

The WITNESS. Now, in calculating the effect of a wage bill increase on retail prices, we have the problem of what may happen in the long chain of distributors and, further, manufacturers before this shirt reaches the consumer. In this calculation I have allowed what I believe is a liberal amount of percentage spread for the mill converting agency, the converter, the wholesale print cloth dealer, the wholesale shirt dealer, and the retail shirt dealer.

I am allowing here, although there might be some dispute about this, a percentage increase on the cost, so that the dealers' and manufacturers' profit margins would be fully maintained.

The effect of allowing for these margins is, of course, to expand and increase or, as some say, pyramid the original cost increase.

On the other hand, at one stage in the manufacturing of the shirt, itself, we must allow for the fact that the

material is only one of the costs of manufacturing the shirt, and the best information I have suggests that the ratio of raw material cost to the manufacturers' wholesale price, that is the manufacturers' wholesale price averages about 44.8 percent. That percentage is a factor of reduction, so to speak, rather than a factor of expansion as the others were.

The net result of this calculation on a 6¼-percent increase in labor cost, which is the percentage for the South rather than the cotton branch as a whole, is that the increased costs of all agencies involved in handling the shirt would be covered or more than covered by an increased retail price of the shirt of 2.75 percent as against the 6¼ percent wage increase.

The 6¼ percent wage increase is first reduced because it is only a fraction of the cost of manufacture of the gray goods. It is then increased through each of the marketing stages by the maintenance of profit margin. It is reduced again at the stage of manufacturing the shirt because the cloth is only one of the costs of manufacturing the shirt. It is increased again by the profit margins or spread for the wholesale shirt dealer of 33⅓ percent and the retail shirt dealer of 50 percent.

Now, the problem may be attacked somewhat differently by taking the increased gray goods cost for mills that employ 9/10 of the workers in the industry instead of taking——

Q. (Interposing.) Mr. Tolles, before you proceed, would you mind giving the actual percentages that you did use in arriving at the final calculation that you just made?

A. The percentage of margin?

Q. The percentage throughout the chain that you speak of.

A. Yes, if I give them in brief form, they won't mean very much.

Q. In order that we may have them for purposes of checking and to have them in the record.

A. 6.25 becomes, as I mentioned, 2.25 as a percentage increase in the manufacturing cost of the gray goods. I begin then with a 2.25 increase times 3.5, times 1.1——

Q. (Interposing.) Which represents, Mr. Tolles, what does that 3.5 represent?

A. Margin of the mill converting agency of 3.5 percent times 1.1, representing the margin of the converter of 10 percent, times 1.2, representing the margin of the wholesale print cloth dealer of 1.2 percent.

Now, the calculation up to that point is 3.07 percent increase. Taking now the 3.07, multiply that by 0.448, because the material cost is 44.8 percent of the total cost of manufacturing the shirt, times the 1.333 to take care of the 33⅓ percent margin of the wholesale shirt dealer, times 1.5 to take care of the 50 percent margin of the retail shirt dealer; we reach the final result of 2¾ percent increase in the retail price of the shirt, should all of these increased costs be exactly covered.

Q. Now, will you tell us the source from which you obtained these margins that you refer to?

A. Members of our staff did a good deal of interviewing of store buyers, of manufacturers, of officials at the Tariff Commission and of other agencies.

I am not contending that these margins are exactly correct, but they represented in each case the high side of the various margins we could get informally as estimates.

Q. The margins for any two manufacturers, for example, may be different?

A. They may be, yes.

Q. Will you proceed with your discussion?

A. The qualification I would like now to introduce is that the original increase in manufacturing cost that

we may have to deal with may not be exactly the 6.25 that I began with, or, rather, the increase in the labor cost which I began with may not be exactly the 6.25 that I used. That was the average increase in costs for mills in the South.

I have tried, therefore, an alternative type of calculation, an increase in labor cost which would cover or more than cover the position of mills employing 95 percent of the cotton textile workers, and supposing, therefore, that the price of it—excuse me, the cost of the gray goods, which was passed on into price might be the highest cost borne by .9 of the industry.

That highest cost, as I can show for the cotton branch as a whole would be a 10 percent increase in the wage bill or a 3.6 percent increase in manufacturing costs of gray goods, and chasing through the same type of calculation, you reach an increased retail price of the shirt of 4.4 percent instead of the 2.75 percent that I cited on an average basis.

Q. Mr. Tolles, when you mentioned the increase of 10 percent in the wage bill, of 95 percent of the industry, do you mean that a full 95 percent would incur an increase of 10 percent in its wage bill?

A. No; I do not. I mean that the 10 percent would be the greatest increase for any mill among that group of mills that employs 95 percent of the workers. All other mills would have smaller cost increases and, therefore, if the price rose enough to cover the cost increases at this margin, the rest of the mills would gain some profit advantage out of that increase in price that I had been assuming.

Now, I do not mean that the retail price of shirts is going to jump by exactly 2.75 percent or even 4.4 percent; those are calculations as to what would be necessary; and should all other factors remain the same, and should the price increase by just enough to cover

these increased costs all the way along the line, the second factor which you must take into account is that of manipulations, especially in view of the moderate nature of the cost increases, retail prices' increases may be averted either wholly or in part by the manipulation of other cost factors in the manufacturing cost process.

For example, small changes in style or construction of many textile products may remove the necessity for price increases to consumers. Such adjustments are constantly made as changes occur in the price of raw cotton or other factors in production by decreasing the depth of a hem, by shortening the tail of a shirt, by simplifying a style or by varying the number of stitches per inch in the seam; small increases in cost may be offset without any change in retail price and without causing essential change in the volume of purchases. That is a second possibility.

A third possibility is absorption without retail price increase, and I think there is a very distinct possibility, at least for many textile products, that such small increases in cost as may be occasioned by a 32½-cent minimum will be absorbed by the industry or by its marketing agencies.

Even if mills pass on increases in costs so that the mills are covered, such increases may be absorbed by converters, wholesalers, manufacturers of textile products, retailers or by some combination of those various agencies; since many textile products tend to sell at retail at conventional and rather rigid price lines considerable increases in costs would be required in many cases to force products from one price bracket to another.

One or two examples will show what I mean. The example of 80 square print cloth used for $1.00 dresses was cited to Committee D of Industry Committee Number 1 in testimony that appears to me to be entirely

reliable by Mr. Tansill of the Pepperill Manufacturing Company, 80 square print cloth used in popular $1.00 house dresses is now being sold to dress manufacturers in a finished state for about 10 cents a yard.

Mr. Tansill said that the price of this cloth increased to 11 or 11½ cents, that is by 10 or 15 percent, without affecting either the style or the construction of the cloth or the retail price of the garment.

At 12 or 13 cents per yard, the style of the garment will probably be altered but the retail price of the dress would remain $1.00.

As compared with this 1 or 1½-cent increase, which would have no effect on the consumer, and with the 2 or 3 percent increase, which would change style but not price, an increase of only .4 of 1 cent would be required to cover or more than cover the increased costs, a 32½-cent minimum on mills which employ 95 percent of the workers.

One further example, a particular type of men's shorts, which frequently sell for 25¢ in chain stores, in the opinion of Mr. T. J. Burns, merchandising manager of W. P. Grant Company could bear more than a 6 percent increase in wholesale price, such as would result from a 35-cent minimum wage, without a change in the 25-cent retail price of the shorts although the specification of the garment might be lowered slightly.

A 69¢ shirt, sold in chain stores, appears to be, on the other hand, at a bracket price, which is close to the minimum price at which this item can be sold. The 30-cent minimum wage in gray goods mills, by raising the total cost by 8 per, will probably jump this item from 69¢ to 79¢, the next price line, but that increase would be occasioned even by the mandatory minimum, under a 32½-cent minimum wage in gray goods mills. The retail price would still be 79¢, the same as at the 30-cent minimum.

Now, I have just secured additional material concerning retail prices, which causes me to doubt even more strongly than before that the recommended minimum will have any appreciable affect on retail prices.

During March and June of 1938 the U. S. Bureau of Labor Statistics secured retail prices for about 60 textile products in 4 stores in each of the 32 cities.

Q. Excuse me, Mr. Tolles. I offer Committee's Exhibit Number 5 for identification, and ask that it be marked for identification.

(Committee's Exhibit Number 5, Witness Tolles, marked for identification.)

By Mr. PITTS:

Q. I now hand you Committee's Exhibit Number 5 for identification. Is this the material which you referred to, Mr. Tolles?

A. Yes, it is the material. These are examples of this study, referring, in the first instance, to a cotton covert shirt, work shirt, 3.9 yards per pound, sanforized, shrunk, vat-dyed, 2 plain pockets with flaps, continuous nonrip sleeve facing, triple-stitched seams, full-sized and well made, 30 to 31 yards per dozen, based on 36-inch fabric and neck band size scale 14 to 17. That is an example of a specification.

I have here, also, a cotton printed percale dress, 80 square, and cotton, white-black denim overalls, 2.20 yards per pound.

Q. This material was obtained by the Bureau of Labor Statistics, did you state?

A. It was. It was obtained by sending field agents familiar with these constructions into four stores in each of 32 cities and determining what the price would be on that type of garment in each case.

Q. What check was made upon the type of garment that was sampled in the various cities, that is, what standard was observed, if any?

A. The agents were first instructed so that they could recognize these standard constructions which are defined for each type. The agent then made an individual report on exactly what the garment was that sold at this price, and the experts in the retail price division of the Bureau of Labor Statistics checked the full field agents' reports to see that the garment that was sampled did in fact conform with that price.

Q. And the standard which guided these persons making the check are stated in the material?

A. They are.

Mr. PITTS. I offer this as Committee's Exhibit Number 5.

Administrator ANDREWS. All right.

(Committee's Exhibit Number 5, Witness Tolles, received in evidence.)

By Mr. PITTS:

Q. Will you proceed?

A. The most astonishing range in price for the same product was found in the stores from which prices were secured. To summarize the results in this exhibit, for example, the price in June 1938 of the cotton work shirt varied from 49¢ to $1.50; in 11 stores, 49¢; in 11, 69¢; in 21, 79¢; in 21 more, 89¢; in 18 stores, 98¢; in 11 stores, $1.00.

Aside from the prices cited one or more stores were retailing this shirt at 17 other prices, up to, as I have stated, $1.50. These tremendous variations in retail price were for an identical product.

Now, let me put some slight qualifications in there. I realize, of course, and the Bureau of Labor Statistics realize that these prices were obtained from different types of stores.

Administrator ANDREWS. These different types of stores may include those which require different profit-operating margins for themselves.

Also, a second qualification is that there were minor variations in construction. They all fell, however, within the standardized construction that is set forth in the Exhibit, and it is these minor variations of construction which I have been mentioning as making possible absorption of minor and moderate changes in manufacturing cost at the gray goods stage.

Overalls sold at prices ranging from 59¢ to $1.50; at 16 stores, 59¢; 10 stores, 69¢; 10 other stores 89¢; 11 stores 98¢; 16 stores, $1.00; and one or more stores sold this item at 15 other prices than those that I have just cited.

Finally the cotton dress of printed percale, retail prices varied from 98¢ to $2.25; 11 stores, 98¢; 33 stores, $1.59; 57 stores, $1.98; 23 stores, $2.00. In one or more stores were found 9 prices other than those that I have mentioned. In this case there was a considerably greater concentration in one price bracket, $1.59 to $2.00, than was the case of the shirt and with the overall.

Examples I have just given are in no sense exceptional among the 16 products surveyed by the Labor Statistics. These enormous variations in retail prices were not due to variations in the prices of the cloth out of which the articles were made. So competitive is the cotton cloth industry that denim or printed percale of particular construction tends to sell every place at the same price f. o. b. mill.

Differences in transportation cost could account for only a small part of the variations I have mentioned. I am sure that the variations do not reflect differential prices realized in the garment industry for this industry is also highly competitive.

The existence of this situation has a very direct bearing, I believe, on the problem I am now discussing. A small increase in the cost of cotton cloth, such as a 32½-

cent minimum will occasion, even if passed on to the retailer, will not result in a general rise in retail price. At most, retailers who are operating near the margin on isolated items, will increase prices to the next price line.

The stores that were selling the overall described above for 59¢ might, in individual instances, increase the business to 69¢, but rarely would there be any need for the stores already selling the overall at 69¢ or 79¢ or at higher prices to institute a similar price increase, unless, of course, that particular store, due to its own operating margin, was very close to the minimum price at which the article could be sold.

If prices jump as a result of the cost increases of the type we are discussing here today, it will not be because of the effect of the recommended minimum, but for other reasons.

The fourth possibility is that increases in labor efficiency will counteract the increase in the wage bill resulting from a 32½-cent minimum standard. A development of this nature, of course, will not occur all at once, but experience has shown that marked increases in labor efficiency can take place over comparatively short periods of time. Thus, from 1928 to 1932 there was an increase in output per man-hour in the cotton textile industry of 17 percent. Between 1932 and 1936, when the industry was subjected to rising raw material and labor costs, average output per man-hour increased by another 27 percent.

I cite here Bulletin 663, which has been referred to, page 47, and there is additional material on the trend of efficiency in the cotton manufacturing branch in chapters 3 and 6 of that report.

Here is more than ample evidence of the fact that the love of labor efficiency in the industry has increased. I believe it can be raised further.

I tried to show, Mr. Administrator, the major factors that have to be taken into account in dealing with the problem of increase in wage bills resulting from the recommended minimum wage. The effect of the minimum on wages is clearly very moderate, and since wages represent only one of the costs of doing business, the effect on total manufacturing costs is even more moderate.

If the full increase in cost is passed on to consumers, the effect on retail prices will be too slight to reduce consumption and hence too slight to reduce employment appreciably. I doubt very much, however, if the increase in cost will be reflected, if at all, in retail prices. Any one of the three developments, or all three in combination, will obviate the necessity for retail price increases of any general nature.

Small changes in the style or construction of textile products, absorption of the increased cost by one or more agencies in the chain from mill to ultimate consumer and increases in labor efficiency may well result in no increase in retail price on the introduction of the minimum wage standard now recommended.

Q. Then, Mr. Tolles, as a result of your studies, and as an economist, do you believe that the establishment of the 32½-cent minimum wage will cause any substantial amount of curtailment of earning power in the textile industry?

A. I very definitely believe that a 32½-cent minimum wage in the textile industry will not substantially curtail employment or the aggregate pay roll of the industry.

Mr. PITTS. Now, Mr. Administrator, it is our opinion, that once the Committee has proven, or it has otherwise proven that no substantial curtailment of employment will result from the establishment of a 32½-cent minimum wage, you are obliged, under the terms of

the fair labor standards act to approve the recommendation and make it effective.

However, for your own benefit and to better evaluate such testimony as you may later receive, we would like to place before you the result of Mr. Tolles' study of the economic and competitive conditions in the industry. Now, for that purpose I would like to call upon Mr. Tolles to give you the results of his study regarding the competitive and economic conditions in the industry.

Administrator ANDREWS. We will take a recess now.

(Recess taken.)

By Mr. PITTS:

Q. Mr. Tolles, have you made the study of the effect of a 32½-cent minimum wage on the competitive conditions in this industry?

A. I have.

Q. Will you give us the results of your study, please?

A. With reference to the effect of the recommended minimum on competitive conditions, we will all recognize, I am sure, that no minimum wage under this Act can possibly affect all mills in the industry to the same extent. Previously I have shown the average increase in the wage bill of the cotton textile industry as a whole, and of the Southern Branch of the industry.

Some mills will experience increases greater than the average. The increases in other mills will, of course, be less than the average. I refer, at this point, to table 1 of Committee Exhibit Number 4, which reproduces 45 of the Bureau of Labor Statistics, Bulletin 663.

This table contains a classification of 784 mills employing 319,000 workers, classified according to the average hourly earnings paid by each mill to all of its workers in August 1938. This is the information from the Employment and Pay Rolls Division of the Bureau of Labor Statistics and contains the larger sample as contrasted with the field study sample. This informa-

tion is shown for the United States and for the North and South separately.

The percentage of workers employed at less than each level of hourly earnings is also shown. The effect of the recommended minimum will, of course, be greatest on that very small group of mills operating with the lowest wage standards.

In August 1938 there were actually six establishments in the cotton textile industry from which the average hourly earnings of the workers, the average, that is, for all workers, not the minimum, was less than 20¢. This was before the Act went into effect, Mr. Administrator.

There were 91 other establishments out of a total of 784 paying an average hourly wage of less than 30¢ in this month. However, the total number of employers in these 91 mills, formerly paying an average of less than 30¢ an hour, amounts to only 5.6 percent of all employers in the cotton-manufacturing branch.

Although most of the establishments in the low wage fringe of the industry are located in the South, I wish to underscore the fact that such establishments are not representative of the Southern Division of the industry. Indeed, wages in many Southern mills compare very favorably with wages in Northern mills. There were 62,000 Southern workers in plants averaging from 40 to 45¢ an hour, or 60 percent more than the 38,000 Northern workers at plants in this wage level.

Within this interval, the Southern integrated mills concentrated within a range of 40 to 42½ cents, while the Northern mills concentrated in the range of 40- to 45-cent averages, but even this apparent differential of 2½¢ does not work out when examined closely.

The great bulk of semiskilled workers were paid the same in Southern mills, averaging 40 to 42½¢ as in Northern mills, averaging 2½¢ higher.

Earlier I pointed out that the Southern average was 36.6¢ in August 1938 as compared with 44.6¢ in the North. The general level of hourly earnings is lower in Southern cotton mills than in Northern cotton mills, largely because the spinning mills which characteristically pay less per hour were almost all located in the South, and because somewhat lower wages are paid in the South to unskilled workers.

Precisely because the effect of the recommended minimum will be somewhat greater in the Southern sector of the industry and because this region shows the greatest variations between mills, I propose to discuss the effect of the 32½-cent rate on different groups of mills all within the South.

Q. (Interposing.) Excuse me, Mr. Tolles.

Mr. PITTS. At this time I would like to offer for identification Committee's Exhibit Number 6 and ask that it be marked.

(Committee's Exhibit Number 6, Witness Tolles, marked for identification.)

By Mr. PITTS:

Q. I hand you Committee's Exhibit Number 6 for identification, Mr. Tolles; will you state the contents of that and how it was prepared? The source of material as well?

A. This is a table showing the percentage distribution of Southern workers by groups of plants and opposite each of these groups of plants, the percentage increase in the wage bill for these plants.

The source of material all comes from the Bureau of Labor Statistics Bulletin 663. The method used in computing the increase in the wage bill for each of these groups of plants is explained in Committee's Exhibit Number 4, pages 3 to 6.

Q. Have you any further statements with regard to this material?

mills have been decidedly low, and I think the speed of sales in the last few weeks tends to bear out this situation. As an indication of the heavy volume of recent trading, I might mention the fact that print cloth sales are estimated to have reached 125,000,000 yards during, roughly, the two-week period ending June 10th. Production during this period did not exceed 30,000,000 yards.

I feel sure that the establishment of a 32½-cent minimum will introduce at least one element of stability into the market. The market for cotton cloth is highly speculative. The beginning of a decline in raw cotton prices, for instance, will cause buyers of cloth to withhold orders in anticipation of further declines. This withholding process frequently causes cloth prices to fall more rapidly and farther than the decline in raw material prices would warrant.

It is an interesting fact that in general the cotton textile manufacturer does not make additional profit when the price of raw cotton falls, but on the whole the price of the cloth he makes falls to a greater extent than the cost of the raw cotton, due to a hold-off of many processors due to the belief that the price of raw cotton has a chance to fall farther. Therefore, a stiffness in the price of raw cotton is actually a favorable factor to the cotton textile manufacturer. It is for a similar reason that price reductions made possible through wage reductions often fail to induce buyers to take larger quantities of textile products, but lead to the demoralization of which this industry justly complains.

The establishment of a minimum wage standard sets very definitely a limit to the competitive cutting of wages. It fixes a floor below which wages cannot go. It introduces an important element of stability into an industry characterized by great instability. The ac-

ceptance of this reasonable wage recommendation, Mr. Administrator, should help to stabilize the market for textile products.

Another general economic factor that I should like to comment upon is foreign trade in cotton goods. In the bulletin which was introduced as Exhibit No. 2, foreign trade in cotton textile products is analyzed for the years 1922 to 1937. It is shown there that historically both imports and exports have been small compared with domestic production. The American cotton manufacturing industry, in other words, has marketed the bulk of its production to domestic consumers. Over this period, exports have in each year exceeded imports by ratios varying, in terms of quantity, from 2 to 1 to 15 to 1.

It is important to point out that not all imports are competitive with American production. Prior to 1934, indeed, most of our imports consisted of fine goods and specialties from the United Kingdom and Switzerland. It was in this year that Japanese imports began to make an impression upon the American market in some lines in which domestic producers had hitherto enjoyed practical immunity from foreign competition. The upshot of the invasion of Japanese textiles was the conclusion of an agreement between United States producers and Japanese exporters setting a quota on exports from that country for 1937 and 1938. Japan was permitted to export 180,000,000 square yards of cloth to this country in 1937. Domestic production in 1937 was about 9,000,000,000 square yards. However, imports from Japan in 1937 failed to reach the quota, and were even lower in 1938.

During 1938, cotton cloth exports averaged 25,122,000 square yards monthly, as compared with a monthly average of imports of 4,856,000 square yards. Statistics for the latest full year, in other words, show that in

A. Yes, I have. As in the case of the estimates I have made for the industry as a whole, these estimates include the allowance for increases in wages above the minimum that were explained earlier.

The figures as to the percentage of Southern workers in each class represent a combination of the figures shown in Bulletin 663 for Southern integrated mills and Southern spinning mills taken together.

Mr. PITTS. Mr. Administrator, I offer in evidence Committee's Exhibit Number 6.

Administrator ANDREWS. All right.

(Committee's Exhibit Number 6, Witness Tolles, was received in evidence.)

By Mr. PITTS:

Q. Will you proceed, Mr. Tolles?

A. I have also a chart which shows——

Q. (Interposing.) This is the chart to which you refer?

A. It is.

Mr. Pitts, I ask that this be marked for identification as Committee's Exhibit Number 7.

(Committee's Exhibit Number 7, Witness Tolles, marked for identification.)

By Mr. PITTS:

Q. Will you please explain what that chart shows?

A. This chart shows graphically, exactly the same figures as those contained in the Exhibit Number 6, which has just been introduced.

Mr. PITTS. Before you explain the details of it, let me formally offer in evidence Committee's Exhibit Number 7, which is the chart he refers to.

Administrator ANDREWS. All right.

(Committee's Exhibit Number 7, Witness Tolles, was received in evidence.)

The WITNESS. This is a double-bar chart——

Administrator ANDREWS. Pardon me, Mr. Tolles, will you explain who prepared the chart, please?

The WITNESS. The chart was prepared under my direction, based on the figures in the table introduced in Exhibit Number 6, which I have already explained.

The open bars show the percentages of increase in the wage bill for each group of plants herein described. The black bars show the percentages of employees of the Southern sector of the cotton manufacturing branch of the industry who were employed in each of these groups of plants. Now, the general increase in the wage bill for these plants taken as a whole, under a 32½-cent minimum would be as I have mentioned, 6¼ percent.

That point would fall along a line drawn at 6¼ percentage spaces up from the bottom of the chart. As against that 6¼ percent you will notice that there are plants at which a 32½-cent minimum would result in a 29 percent increase in wage bill. But it is also to be noticed that those plants employ only 2½ percent of the workers, even in the Southern branch of the industry. They employ a smaller percentage of the workers in the cotton branch as a whole, and they employ a much smaller percentage of the workers in the textile industry as a whole as defined. Those were plants paying an average to all workers of less than 25 cents an hour before the Act went into effect.

The next group paying from 25 to 30 cents an hour before the Act went into effect, would have wage bill increases of approximately 18 percent, but that group employs about 4 percent of the workers in the Southern sector of cotton goods manufacture. These two groups of plants were those that I referred to before as together employing about 5 percent of the workers in cotton manufacturing. They employ about 7 percent—the two together—of the workers in the Southern sector, and about 5 percent in cotton manufacturing as a whole.

These, then, are the highly exceptional cases as against those two groups that I have mentioned.

The increases in the wage bill for the next group of plants would amount to only 9 percent, and then 5.4 percent, 3 percent, 2 percent, one-half of 1 percent, and 0.9 of 1 percent.

Q. For the clarity of the record, would you state what you are pointing to at the time you make the reference to the percentage of workers affected?

A. The 9 percent increase is for plants previously paying from 30 to 32½ cents an hour. The 5 percent increase is for plants previously paying from 32½ to 35 cents an hour. The 3 percent increase is for plants previously paying from 35 to 37½ cents an hour. The 2 percent increase is for plants previously paying from 37½ to 40 cents an hour. The one-half of 1 percent increase is for plants previously paying 42½ to 45 cents an hour, and 0.8 of 1 percent increase is for plants previously paying from 45 to 50 cents an hour.

It happens that the increase in the wage bill is slightly greater for this highest group of plants than for the one next before. That is, it is slightly greater for plants previously paying from 45 to 50 cents an hour than for plants previously paying from 42½ to 45 cents an hour. That is quite possible. It means that although these plants had a higher average for all workers, the earnings were more dispersed in the group paying from 45 to 50 cents an hour than in the group paying from 42½ to 45 cents an hour.

One point that can easily be deduced from this chart is that the wage bill increases not only average 6¼ percent, but that increases in the range of 6 percent down to 2½ percent will be the increase that effect the great bulk of the industry, as indicated by the greater height of these black lines in the center of the chart (indicating).

Q. In that latter remark, if you will refer to the column, either right or left, or wage brackets, the record will be more clear.

A. The great bulk of the workers in this industry, even in the South, are employed in plants previously paying averages to all their workers of from 32½ to 42½ cents an hour, and for those plants the wage bill increases will range from about 6 percent down to 2½ percent. When I mentioned the price increase which would cover the cost increase for mills employing 95 percent of the workers, I was referring to mills previously paying 30 cents or more per hour to all of their employees, and was excluding only this group of mills employing less than 7 percent of the Southern workers and less than 5 percent of all cotton workers, for which the 32½-cent minimum would involve these higher and very exceptional increases.

I think it is clear that cost increases of the magnitude I have indicated will not alter appreciably the competitive position of the vast majority of mills in this region; that is, the South.

On the small group of mills employing about 7 percent of the Southern workers, or 5 percent of all cotton mill workers, with average hourly earnings of less than 30 cents in August 1938, a 32½-cent minimum will raise wage bills by from 18 percent to 30 percent, and manufacturing costs from 6½ percent to 10.8 percent. These are the mills that will have to make the greatest adjustments if the modest wage standard of 32½ cents per hour is put into effect.

Some of these exceptionally low-wage mills may well be able to pay a higher scale of wages than they actually pay at present. Special tabulations from the Census of Manufactures for 1935, arranged by the Bureau of Labor Statistics, show that some low-wage mills achieve an average or better than average output per man-hour

and hence have extremely low labor costs. The lowest average labor cost per pound of carded cotton yarn was found in mills paying wages 22 percent lower than the average of the mills studied. In such cases the lowest wage mills can clearly afford to pay wages in keeping with those paid by the bulk of the industry. The minimum wage of 32½ cents would have the effect of decreasing the pressure of low-wage competition on the rest of the industry and bring the net returns from these substandard mills more into line with average returns.

Others among these low-wage mills may be those which are not profitable because they are relatively inefficient. Their inefficiency may be due to the character of their equipment or to the character of their management. Some of the equipment in the industry is distinctly obsolete in spite of the great amount of scrapping which has gone on during the last 15 years. Indications are that 9,700,000 of 26,300,000 spindles were installed prior to 1910. I refer to Bulletin 663, page 52.

Moreover, in this industry, as in others, the efficiency of management is likely to vary greatly. The low wages paid in some mills may, therefore, simply represent a subsidy for inefficiency of equipment and management. These inefficiencies can be overcome. There is definite information from studies of the Tariff Commission (Bulletin 663, pages 45–46) that differences in operating efficiency as between mills are by no means rigid over a period of time. At any one time a very considerable range of unit costs exists between different mills. Over a period of time the high-cost mills can and have lifted themselves into the low-cost group. The obvious remedy in cases of this character is for the low-wage mills to raise their operating standards to those current in the industry. The introduction of

minimum wage standard tends to make the ability to keep abreast of production standards already adopted by the mass of the industry the price of survival of individual mills rather than the ability of these mills to operate on a wage level detrimental to the health, efficiency, and general well-being of the workers involved.

Q. Mr. Tolles, can you tell us whether technological changes are now taking place in the cotton textile industry?

A. Yes. The equipment in the cotton-manufacturing branch of this industry has been improving for a great number of years, both as a result of the installation of new equipment and as a result of the scrapping of obsolete equipment. Further information on this point is provided in Chapter 6 of Bulletin No. 663 of the Bureau of Labor Statistics, and I believe this bulletin has been introduced as Committee Exhibit No. 1.

Q. In your opinion, will these technological changes continue to take place irrespective of the establishment of minimum wage standards for the industry?

A. Yes. I believe the mills now operating with obsolete equipment cannot hope to survive over any long period regardless of what the wage level may be. The Cotton Textile Institute has estimated that almost 400 mills passed out of existence in the period 1926 to 1938. It seems clear that many of these mills were unable to survive because they were attempting to operate with obsolete and inefficient equipment.

Q. In your opinion, what effect would the establishment of a 32½-cent minimum have upon the rate of technological improvement in the industry?

A. Taking the cotton-manufacturing branch as a whole, I should say that the establishment of such a minimum would do no more than slightly accelerate the replacement of inefficient by efficient equipment.

Q. What is your ultimate conclusion, then, Mr. Tolles, as to the effect of a 32½-cent minimum wage on the competitive conditions in this industry?

A. In view of the moderate nature of cost increases for the vast majority of textile mills, even among the Southern cotton mills, I believe that a 32½-cent minimum wage will not unduly disturb competitive conditions within the industry and will, in fact, improve them.

Q. Mr. Tolles, have you made any analysis of the economic conditions in the industry as to the feasibility of establishing a 32½-cent minimum wage at this time?

A. I have.

Q. Will you state what that analysis indicates?

A. Since the exceptionally profitable first half of 1937, the market for textile products has exhibited marked weakness. During the period of the deliberations of Industry Committee No. 1, mill margins were smaller than at any time since the middle of 1933. This state of the textile market undoubtedly suggests that the immediate step toward a 40-cent minimum under the Fair Labor Standards Act should be approached cautiously. In my judgment the recommended minimum of 32½ cents does represent a cautious approach to the problem. My previous testimony on the moderate effect of this minimum upon manufacturing costs shows how cautious the approach really is.

It is encouraging to report, however, that the strength of the market for cotton cloth has increased considerably during the past month. Print cloths and denims are among the products that have shared in the advance. The price of the volume-selling 80-square—39-inch—print cloth has advanced by ⅜ of a cent per yard; from 5¾ cents on June 1st to 6⅛ cents on June 16th. This represents an increase of 6.5 percent in the price of this construction. The price of 64 by 60—

38½-inch—print cloth has advanced from 4¼ cents to 4½ cents; 72 by 48 drills from 6¼ cents to 6½ cents; denim has advanced one-half cent per yard since the first of the month. These advances are in no sense exceptional, although I do not mean to imply that every one of the many cloth constructions has participated in the upward movement. The yarn market, like the cloth market, has shown strength recently.

An extremely interesting new piece of information was published in the New York Times yesterday regarding the extent of the overhanging inventories which have been burdening this branch of the industry since the middle of 1937. The information there given, on the first business page, indicates that one-half of the inventories of print cloth have been worked off by sales in the last three weeks. I should say that that very much improves the situation in respect to stocks, and gives hope that the industry is about to move into a much more favorable position as regards earning power.

In my opinion, these price advances are a response to genuine market forces. At least three factors are responsible for the increases: First, there are certain signs of a general improvement in business conditions. Second, it is unlikely that raw cotton prices will fall below their present level during the summer months. As a matter of fact, the price of spot cotton has increased in recent weeks. In the third place, inventories of dealers in cotton products are decidedly low. Incidentally, there is some question as to whether the heavy inventories held by the mills themselves are really abnormally large, or whether the mills are holding stocks that would normally be held by converters, wholesalers, garment manufacturers, and other middlemen and processors.

There has been considerable talk in the trade to the effect that these stocks held at points by the Grade I

terms of quantity, exports were about five times as great as imports. In this year cloth imports amounted to 0.77 percent of the domestic production of 7,502,168,000 square yards. During the first three months of 1939, exports were approximately three times greater than imports, despite some tariff concessions made in reciprocal trade agreements, especially in that negotiated with the United Kingdom.

I would like to add an obvious qualification. I have mentioned a figure of a little more than 0.7 of one percent as representing the ratio between imports and domestic production. That is the ratio between all imports and all domestic production. As we all know, the imports are in relatively few lines. Therefore, I wish to make it clear that the importance of foreign imports is much greater in some cloth constructions than would be indicated in this ratio.

Administrator ANDREWS. What particular line would be principally affected?

The WITNESS. The particular lines concerning domestic production are lines from Japan of goods that would be at the low end of print cloths, or even a little coarser. These are goods having yarn counts from 28 to 29, and again from 40 to 42. 40 to 42 is a true print cloth classification. 28 to 29 is even lower grade. They are bleached—that is, not dyed—print cloths.

I have tried to make some estimate of how important the imports may be in those particular lines. I can't make an accurate estimate. However, in a total of 33,000,000 square yards imported from Japan, 29,000,000 were in the category I have named. Our production is 250,000,000 square yards in similar lines. Thus, the domestic production of these particular lines of goods bears a ratio of 250 to 29. The imports are thus somewhat over 10 percent of production in these particular categories.

Administrator ANDREWS. Are these lines made over here in what we call low-wage mills?

The WITNESS. I don't think it is possible to identify wages by type of construction. The farthest I have been able to go is to notice that the specialized spinning mills, that do not do any weaving, on the whole tend to have lower wages. But I believe a different construction will be made competitive by low-wage and high-wage mills when you get in construction.

The point I want to emphasize as to foreign trade is that the situation is not as alarming as sometimes supposed. There was a real disorganization of the print-cloth market beginning in 1934 in those particular grades that I have mentioned. That was very largely stopped by the voluntary agreement, and as a matter of fact, conditions that I need not elaborate on have prevented the Japanese from even reaching the quota agreed upon at that time.

Mr. PITTS. I would like to turn now to the matter of transportation costs. I ask that this material (indicating) be marked as Committee's Exhibit 8 (a), (b), and (c).

This is a study entitled "Investigation and Suspension Docket No. 3636" of the Interstate Commerce Commission. It is cited as Volume 211 I. C. C., page 692, the original report being dated November 21, 1935, and the additional supplementary reports being dated, the first, February 8, 1937, and the second, April 12, 1937.

(Committee's Exhibit 8 (a), (b), and (c), Witness Tolles, marked for identification.)

Mr. PITTS. I now ask that this material be received as Committee's Exhibit 8 (a), (b), and (c).

Administrator ANDREWS. All right.

(Committee's Exhibit 8(a), (b) and (c), Witness Tolles, received in evidence.)

Mr. PITTS. I ask that this document be marked for identification as "Committee's Exhibit 9."

(Committee's Exhibit 9, Witness Tolles, marked for identification.)

By Mr. PITTS:

Q. Mr. Tolles, I hand you what has been marked for identification as "Committee's Exhibit 9," and ask you to state what it is, how it was prepared, and by whom it was prepared?

A. This is entitled "Competitive Conditions as Affected By Transportation Costs In the Cotton Textile Industry," dated February 21, 1939. It was prepared by Nathan Fine under my direction. It contains an analysis of transportation costs on cotton products from the Northeast, Southeast, and Southwest to the leading textile markets of the country, and of the cost of transporting raw cotton to the mills. It was intended to inform me and Industry Committee No. 1 of the broad aspects of transportation costs in textile products. It expresses no conclusions as to what action should be taken by that Industry Committee.

Q. Have you made any independent study of transportation costs as they affect the cotton textile industry?

A. I have made some study, although I am not a transportation costs expert.

Q. The minority reports of the Industry Committee indicate that possibly some differential in minimum wage should have been made because of differences in transportation costs prevailing between various regions in the country. Have you come to any conclusion as to the validity of such claims?

A. I have come to the primary conclusion that it is a tremendously complex question. I think it might be well to get into the record my general thoughts on the problem, if the Administrator is so pleased.

Q. I will call on you, with the Administrator's permission, to give the results of such studies as you have made.

Administrator ANDREWS. Have either of the last two exhibits been introduced?

Mr. PITTS. The first one has, it being a public report of the Interstate Commerce Commission. Mr. Tolles will refer to the second exhibit, I anticipate, and at the conclusion of his testimony I will formally introduce it.

Administrator ANDREWS. How long will it take?

The WITNESS. About 15 minutes.

Mr. PITTS. If you prefer, we can adjourn now and he can continue this afternoon.

Administrator ANDREWS. If 15 minutes is all the time he needs, he can finish. We must return at 2 o'clock, is what I was think about.

By Mr. PITTS:

Q. Proceed, Mr. Tolles.

A. The problem of transportation costs is infinitely complex, and the task of attempting to measure the advantages and disadvantages of mills located in one part of the country as compared with mills located in another area is extraordinarily difficult. The problem would be simplified considerably if all mills shipped their products to one location. As a matter of fact, of course, there are hundreds of destinations for textile products. Moreover, raw materials originate in thousands of places, and mill machinery and supplies also have numerous points of origin. The problem is further complicated by the existence in many cases of alternative forms of transportation—rail, truck, water, or some combination of these.

Out of these general considerations a general conclusion emerges. This conclusion is that the problem of transportation advantages or disadvantages is, at least

in part, a point to point problem. A given mill, for example, may enjoy a transportation cost advantage over other mills to one given market; to some other market this mill may operate under a shipping cost disadvantage. To equalize the transportation costs for all mills to all markets through manipulation of the minimum wage rate would, in the last analysis, require the establishment of differentials for each shipment of goods. This, of course, would create an utterly impossible administrative problem.

Let me examine now, as briefly as I can, the question of whether transportation cost disadvantages of a broadly regional nature do exist, and, if so, if these disadvantages are of such a nature as to warrant regional classification in setting minimum wage standards for the textile industry. My discussion deals with three regions: the Northeast, Southeast, and Southwest.

I want to discuss first transportation costs on raw cotton, and in this connection the location of mills with reference to their raw materials is obviously important. It has been pointed out that transportation costs on the shipment of Texas cotton to New England are no greater than the cost of shipment to Southeastern mills. But mills in the Southeast obtain much of their cotton from points not over 200 miles from the mills.

According to a recent study by J. W. Wright and J. H. McLure of the United States Bureau of Agricultural Economics, "about two-thirds of the cotton received at Southeastern consuming establishments during the season 1932–1933 was of Southeastern growth." The transportation cost by truck or rail on this local cotton is less than the transportation cost of the cotton shipped by water to New England.

On September 6, 1938, the Southern Railway announced the following mileage rates on raw cotton in

the Southeastern States of North and South Carolina, Georgia, and Alabama.

Interstate rates per 100 pounds on flat or uncompressed cotton: 35 miles and under, 9 cents; 100 miles and under, 20 cents; 150 miles and under, 25 cents; 200 miles and under, 30 cents. In carload lots the rates per 100 pounds are even lower. When contrasted with the rail-water rates of 46 cents from Waco, Texas, to New Bedford, and 53 cents from Dallas to Boston, these local rates indicate an advantage from the Southeastern mills over New England.

The so-called any quantity rates on raw cotton shipments appear to be higher within the Southwest than the rates on shipments of local cotton within the Southeast. The Interstate Commerce Commission points out, however, that the rates on carload shipments in the two regions are much more nearly equal on a mileage basis. Furthermore, the Southeastern mills are at a disadvantage as compared with the Southwestern mills to the extent that they use Texas and Central Belt—Mississippi, Louisiana, and Arkansas—cotton, as revealed by special tabulations of the Traffic Division of the Interstate Commerce Commission.

The situation with respect to raw cotton transportation costs is complex, but it seems fair to conclude that the Southern regions have some advantages as compared with New England.

The manufacture of yarn for sale is now largely concentrated in the South. In 1935, according to the Census of Manufactures, the proportion of yarn for sale produced in the Northern states was less than one-tenth of the total by weight and about one-eighth of the total in terms of value. In view of the concentration of yarn production for sale in the Southern region, any differences that may exist in transportation costs be-

tween mills located in the Northeast and the Southeast have very little competitive importance.

Turning to finished cotton fabrics in the original piece, I wish to comment on a memorandum submitted as Exhibit No. 9, which contains two tables prepared by Mr. Carl R. Cunningham, Traffic Manager of the Associated Southern Mills. I use these tables merely to show what importance may be attached to transportation cost differences as calculated by a leading advocate of Southern interests. These tables were designed to show transportation costs on finished cotton fabrics in the original piece from Northeastern and Southeastern mills to: (1) New York City; and (2) 25 of the largest cities in the United States.

The first of these tables shows the cost per 100 pounds of transporting finished cotton fabrics in the original piece from 50 Southeastern points and 50 Northern points to New York City. The average rate from the Northern cities was 34.2 cents as compared with an average rate of 85.2 cents from the Southern cities. That is a difference of 51 cents per 100 pounds in favor of the Northern cities on shipments to New York City.

This disadvantage amounts to about 1.7 percent of the estimated wholesale value of finished cotton cloth shipped into New York City. The table, of course, gives no indication of the proportion of the goods produced in the selected points of origin actually shipped into the New York market, nor of the amount of the goods shipped at the rates referred to.

How much of the output of Mississippi or Alabama mills, for example, is sent to New York? The amount of cotton textiles produced in New Jersey and New York State is very small, and yet these States are represented by 8 points of origin in the Northern group of cities—or 16 percent of the total. Even if these States

sent every piece of cotton goods manufactured into New York City, their importance would still be overweighted. The table also makes no allowance for the difference in average miles from the 50 Northern and 50 Southern cities to the New York market.

The second table gives a more representative picture. This table shows the average cost via all-rail and lowest rated routes from Charlotte, North Carolina; Atlanta, Georgia; and Boston, Massachusetts, of transporting finished cotton fabrics in the original piece to the 25 largest cities in the United States.

The average all-rail rate was 10 cents per 100 pounds higher from Charlotte as compared with Boston, and 11 cents higher from Atlanta as compared with Boston. Via lowest rated routes, the difference in favor of Boston was 22 cents over Charlotte and 25 cents over Atlanta.

In comparison with Boston, therefore, the mills in the two representative Southeastern points were at a disadvantage to these 25 cities of from $^{3}/_{10}$ of 1.0 percent of the wholesale value of the goods produced in the Southeast to $^{7}/_{10}$ of 1.0 percent.

I should like to point out again that the problem of the selection of points of destination and of origin also appear in connection with this table. For example, Nashville, Tennessee, is not on this list of 25 cities. According to the Investigation and Suspension Docket No. 4589 of the Interstate Commerce Commission, however, approximately 31,000,000 pounds of cotton piece goods were shipped from points in North and South Carolina and Danville, Virginia, in 1938 by rail. This was only a part of the movement of such goods into Nashville, and indicates that Nashville and probably other Southern cities are important as points of destination.

The situation of the small Southwestern textile industry with regard to transportation cost advantages or disadvantages depends largely upon the types of textiles produced in this region and the major points of destination. Information obtained from textile directories and from the Interstate Commerce Commission—Docket 3636—indicates that a large proportion of the fabrics made by Southwestern mills are used for industrial purposes. A tenable assumption, therefore, is that the more important markets for the products of the Southwestern industry are the leading industrial centers of the country.

Accordingly, in the memorandum introduced as Exhibit No. 9, a comparison is made between Atlanta, Georgia, and Dallas, Texas, on all-rail shipments to 8 leading markets for industrial textiles. This comparison is shown in Table 3. Despite the fact that Dallas is 214 miles farther from the average market than Atlanta, the average rate from Dallas is only 13 cents higher per 100 pounds of finished cotton fabrics in the original piece than the average rate from Atlanta. This amounts to one-half of 1.0 percent of the estimated wholesale value of the cotton fabrics produced in the Southwest.

The memorandum to which I have referred also contains a comparison of rates from Atlanta and Dallas via lowest rated routes to 8 important cities, including New York and Boston. This table shows that the average rate from Dallas was 21 cents higher than the average rate from Atlanta; the disadvantage to Dallas, therefore, amounts to about $^{8}/_{10}$ of 1.0 percent of the wholesale value of the cotton products produced in the Southwest. Dallas, of course, is much farther from the average market than Atlanta.

To the Pacific Coast, the Southwest has a very large advantage in all-rail rates and does not appear to be at any disadvantage on rail-water shipments.

Q. What are your general conclusions, Mr. Tolles; that is, what conclusion do you draw as to justification of a differential for the South based on transportation costs?

A. I have tried to draw a very broad picture of the freight rate situation with respect to the cotton textile industry. My general conclusion is that no region appears to operate under disadvantages of such a nature as to justify a differential at the minimum wage level.

I should like to emphasize again that the whole situation has recently been investigated in great detail by the Interstate Commerce Commission.

Mr. PITTS. I would now like to introduce Committee's Exhibit 9.

Administrator ANDREWS. If there is no objection it will be received in evidence.

(Committee Exhibit 9, Witness Tolles, received in evidence.)

Mr. PITTS. Inasmuch as it is now one o'clock, I can defer the remainder of Mr. Tolles' examination until after lunch.

Administrator ANDREWS. How much longer do you think he will be?

Mr. PITTS. There is certain evidence on the cost of living that Mr. Tolles will give. He can probably tell how long it will take.

The WITNESS. About ten minutes.

Administrator ANDREWS. We will adjourn until 2 o'clock.

(Whereupon, at 1:00 o'clock the hearing recessed for lunch, to reconvene at two o'clock p. m.)

AFTERNOON SESSION

(At 2 o'clock p. m., the hearing was resumed, pursuant to recess.)

Mr. PITTS. I am ready, Mr. Administrator.

Administrator ANDREWS. We will proceed with the hearing that was started this morning on recommendation of the Industry Committee No. 1 for the textile industry.

(Whereupon the witness TOLLES resumed the stand for further examination, as follows:)

By Mr. PITTS:

Q. Mr. Tolles, I would like to ask you three questions, further questions, on the costs of transportation.

Suppose it were determined that a 10% difference in transportation costs existed as between any two regions. Could you tell me what difference in wages at the minimum level would compensate for this transportation cost disadvantage?

A. The figures which I have been able to collect suggest to me that transportation costs in the cotton-manufacturing branch as a whole would amount to 3% of the wholesale value at the outside. Adopting this figure, a 10% difference in transportation costs would be equivalent to a 0.3 of 1% difference on the wholesale value.

Now I have indicated earlier that labor costs probably amount to 36% of manufacturing costs. To find the difference in pay rolls necessary to offset any difference in total costs, it would be necessary to divide by the figures 0.36. In this case, beginning with the 10% difference in transportation costs, equivalent to a 0.3 of 1% difference in wholesale value, we divide 0.3 of 1% by 0.36 and obtain a difference in labor costs of just about 1%.

Assuming that the aggregate pay rolls in the two regions would be made to differ in the same relationship

as the difference in the minimum, that would suggest a difference of the minimum of 1% based on a 10% difference in transportation costs.

Q. What would this difference in the minimum wage in order to compensate for the transportation cost disadvantage of 10% amount to, in cents per hour, now?—relating that to a minimum of 32½¢.

A. We are dealing here with a recommended 32½¢ minimum, and on that the difference under the assumptions I have been making would be 0.325%—cents, rather.

Mr. PITTS. Mr. Administrator, I would like to turn briefly to the matter of costs of living, and I offer as Committee's Exhibit No. 10 for identification this material.

(Committee's Exhibit No. 10 was marked for identification.)

Q. I hand you the Committee's Exhibit No. 10 for Identification, Mr. Tolles. Will you tell us what that material is and by whom it was prepared?

A. This is a 15-page mimeographed memorandum dated May 31, 1939. It is entitled "Differences in Costs of Living." It was prepared under my direction to summarize the latest and most complete information available to the Economic Section as to the differences in the cost of the maintenance budget as between various cities and towns throughout the United States. All of the basic information except that on pages 13 to 15 (which pages relate to individual working women) was supplied by the United States Bureau of Labor Statistics. The analysis, however, is my own.

Mr. PITTS. I would like to offer this in evidence as Committee's Exhibit No. 10, Mr. Administrator.

Administrator ANDREWS. All right.

(Committee's Exhibit No. 10 received in evidence.)

211006—40——8

Q. Will you further summarize the contents of that Exhibit No. 10?

A. In this memorandum data are shown for 23 cities, having populations ranging from 25,000 to 3,000,000—to over 3,000,000—and for 10 cities, in addition, having populations from 10,000 to 25,000.

In each case the cost figure is shown for a maintenance budget for a workingman's family of four: man, wife, and two minor children—one girl and one boy.

Figures for the larger cities were originally published by the Works Progress Administration in 1935 and were brought down to December 1938 by the Bureau of Labor Statistics, using their cost-of-living indexes by cities for such cities as they regularly have on their lists for cost-of-living statistics—that is, such of the WPA statistics as they have.

No comparable figures were available for cities having less than 25,000 population until the Bureau of Labor Statistics made a special investigation at the request of the Wage & Hour investigation.

In this memorandum, then, the results of both studies are summarized.

At the outset, in considering material of this kind, we must distinguish clearly between cost of living and standard of living. Differences in standards of living are measured by studies of actual expenditure. A large volume of information on consumer expenditures has been collected and is in the process of publication by the Bureau of Labor Statistics and the Bureau of Home Economics. These studies are entirely independent of the subject which now concerns us, and are considered independently by the Bureau of Labor Statistics.

Standards of living depend very largely on consumer income—that is, the amount that can be spent is roughly related to the amount which is received as income.

Costs of living, on the other hand, depend on the prices of goods sufficient to meet a single standard.

Differences in both standards of living and costs of living are found as between different localities. Therefore, differences in costs can only be measured by pricing the cost of a standardized budget in each locality under consideration. I am not concerned here with whether a given budget provides too much or too little for the maintenance of a worker's family. It makes very little difference to me whether the absolute figure shown is in the judgment of a given person a little too high or a little too low, so long as the items and quantities chosen are reasonable for our purpose. I am simply concerned, then, with the relative cost of living in different places.

15 of the 32 cities covered in this memorandum are located in the South. In these 15 southern cities the average annual costs of the maintenance budget was 4.6% lower than in the 17 northern cities.

In the smaller cities, taken separately, those from 10 to 25,000 population, the difference amounted to only 1.4%, whereas in the larger cities it amounted, on the average, to 5.7%.

Such regional differences as do exist turn out not to be consistent when the figures for individual cities and towns are examined. Considerable overlapping exists. Thus, a maintenance budget costs more in the southern cities of Atlanta; Norfolk; Richmond; Statesville, N. C.; than in the northern cities of Buffalo; Cincinnati; Chillicothe, O.; Hanover, Pa.; Holland, Mich.; or Little Falls, N. Y. Those are cases of actual overlapping in this study.

Within the northern region, there was a difference between individual cities amounting to a maximum of $343 per year, yet the average difference in costs between these two regions amounted to only $63. This overlapping of high-cost cities in the lower cost region with low-cost cities in the higher cost region appears

for the group of small-size towns as well as for the larger cities.

Q. What is your general conclusion as to the justification of minimum wage differential as between regions—based on living costs, of course?

A. From the information available, I cannot see any sufficiently large or sufficiently generalized difference in living costs which could be used as a basis for a regional differential. It is quite true that individual instances may be cited, but if a regional differential were imposed on the basis even of the very moderate average differences between the two regions, substantial injustice would be done in particular localities where the cost in the low-cost region may be actually higher than the cost in certain other localities in high-cost region.

Q. What general conclusion do you draw as to the justification for a minimum wage differential by size of cities, based on living costs?

A. I haven't mentioned that. I do not believe that we have enough information to generalize as to consistent differences in costs of living by size of city. While 32 places carefully selected may give a fair representation of differences if they exist between two categories, two regions, the same number of cities are very much less able to represent differences between a number of categories by size. The mere fact that size categories are much more numerous that regional categories means that the same number of cities are less able to determine whether there is a difference or not.

Now I have taken the Bureau of Labor Statistics' figures, which were originally prepared to test the question of whether there were regional differences, and arranged them to see whether there are differences in cost of living by size of city. There does appear to be a real difference between the cost of living in New York

and Chicago at one extreme and in such towns under 25,000 population for which we have information. These average differences, however, become small when we compare costs in cities of less than 500,000, any category less than 500,000, with those of less than 25,000 population.

Moreover, again the differences do not appear to be consistent by size of city. In the sample we have available the average cost in 6 cities of 25,000 to 50,000 population was slightly greater than in the 7 cities of 250,000 to 500,000 population—that is, although it may be said as a general rule that the cost appears to decrease as the size decreases, that doesn't work out for each category, and actually there is a case here of the smaller size city having a slightly higher cost than the city in the size category next above it.

Finally, there is a considerable overlapping of cost by city size, as there was by region. Thus, a difference of $190 per year appears as between Dover, N. H., and Hanover, Pa., both of which are northern cities and both of which are in the smaller size class study. This was greater than the average difference which appears between any size group except as between the smallest and the largest—that is, as except between New York and Chicago, as representing cities over 3,000,000, and the cities of less than 25,000 population.

Q. Mr. Tolles, you have mentioned Chicago and New York. Could you give us any information on the relative cost of living in those cities as compared to the municipal corporations immediately surrounding those cities or within a 25-mile area, for example?

A. Well, I can say this: that in studying these costs, conditions are sampled for the entire metropolitan district, and in general very little consistent difference is shown between the center of the city and outlying areas. Thus, you may have a separately incorporated town on

the outskirts of New York or Chicago in which for a comparable budget the costs will be identical with those in the town. I suppose on the basis of official statistics such a town might be classified as a town of less than 25,000 population, but so far as cost of living is concerned it assumes the characteristics of a city of more than 3,000,000 population.

Mr. PITTS. That is all the questions I have to ask Mr. Tolles.

Administrator ANDREWS. Mr. Pitts, I think Mr. Carrol Daugherty would like to ask Mr. Tolles a few questions.

By Mr. CARROL DAUGHERTY:

Q. Mr. Tolles, what meaning do you think attaches to figures showing increase in total cost for the industry as a whole, figures by themselves?

A. They are figures which might be said to regard the industry or the branch or the region as if it were a single manufacturing concern, and they therefore give you the change in the aggregate, disregarding for a moment, for good reasons, the differences which actually do occur between individual plants within that industry branch or region.

Q. With relation to what factors would you have to consider such percentage increases in order to throw proper light on the question of substantial curtailment of employment?

A. With relation——

Q. (Interposing.) Do you believe that one ought to consider profitability to the firms in the industry in that connection?

A. Well, if the figure relates to the entire industry or branch, one should presumably be concerned with the profitability for that branch taken as a whole, rather than for individual concerns in it.

Q. Have you any data on profitability or margins?

A. Yes. We have some basic information collected by the Federal Trade Commission for continuous periods ranging from 1933 down to the first half of 1936. Since that time we must judge profitability largely in terms of mill margins.

Do you wish at this time a summary of that profitability information?

Q. If you can do it briefly.

A. In the period January 1933 to June 1936 the gist of the matter seems to be that in most instances more than half of such companies realized net profits on sales in excess of 5%. It was the judgment of Mr. Hendricks, who prepared this bulletin, that these figures showed that under efficient management and without the burden of idle equipment the industry as a whole would have shown considerably larger returns on aggregate textile investment than were shown. The returns, that is, on the textile investment are much less reliable than the returns on sales, because of the question as to how much of that investment is productive investment.

In terms of investment, you had, of course, a wide variation of conditions through this period. In the first half of 1933 on the nominal investment 20% of the firms studied had a net profit of 10% or over. Another 20% had profits of 5 to 10%. Another 33% had net profits of less than 5%, making 87% of the firms studied that showed a net profit on investment, the others showing losses ranging down to 11% of the firms that had losses on nominal investment of 10% or more. Now that was a rather profitable period—not as profitable, however, as the second half of 1933. The figures on investment come down—of profit on investment—come down only to the last half of 1934; and in that last half (an exceptionally unprofitable period, partly because of labor disputes in that period) you had only 35% of the

concerns showing a net profit on their own statement as to investment.

Q. In the light of mill margin trends since that time, what would be your opinion about the ability of the industry to pay the proposed increase?

A. Well, as I mentioned in the direct testimony, the margins fell very rapidly from the exceptionally profitable period in the first half of 1937 until very recently. I have indicated reasons for believing that the situation is rapidly improving, and I believe that the moderate minimum could have been borne by efficient concerns even under the conditions which prevailed at the time the industry committee was considering this matter. I consider those conditions a good deal better today than they were at that time. A factor, however, which I am taking into consideration there is that the introduction of the minimum itself I believe would considerably improve the price situation in the industry, which is one of the vital factors in whether there is a margin and whether a profit can be made.

Q. What information have you on excess capacity in the industry?

A. That information, to make the record as brief as possible, is summarized in Chapter 3 of Bulletin 663. It indicates that there was no excess capacity on a two-shift basis at the height of the 1937 boom but that they are having very large excesses of capacity since that time. In the cotton branch it is important to consider on all measures of capacity a number of factors, such as the phase of the cycle the industry is in, the number of shifts you calculate the industry should work, and the efficiency of the equipment.

Now, there is a large excess of capacity on a two-shift basis during anything except the height of a speculative boom. How much of that excess capacity is efficient capacity is a harder problem—harder question to judge.

I think that there is evidence that the industry is overburdened at the present time with a scattering of production on capacity, efficient and inefficient. The concentration of production on the efficient capacity would lead to lower average costs, much better profit performace, and much greater capacity to pay a minimum wage.

Q. Mr. Tolles, do you anticipate any unemployment to result from the recommended wage order or wage minimum?

A. I do not anticipate any perceptible decline in the aggregate employment furnished by the cotton branch, or, for that matter, any other separate branch of the textile industry. There will be, as I have indicated, adjustment problems in exceptional mills, but not such as to create net unemployment or net decline in employment for the industry as a whole.

Q. You indicated that about 2.4% of the workers were employed in firms whose cost would be raised about 29% and about 4.6% of the workers would be employed in firms whose labor costs would go up about 18%.

A. Yes.

Q. 7% of the workers in all.

Do you anticipate those firms will be able to make adjustments?

A. If those firms have labor output comparable with the rest of the industry, they must have a tremendous advantage in labor costs and be making a very large net return, out of which, relative to the industry as a whole—out of which the wage increase could be absorbed. If those firms have labor output per man-hour as much lower as their wages are low, they cannot survive without adjustment under any conditions competitively.

Q. Have you any way of estimating what part of that 7% of total employment would be in efficient firms?

A. I don't believe that could be done accurately, because the efficiency position of individual mills as regards efficiency shifts very rapidly. The studies we have on that subject indicate that the low-cost mill of today becomes the relatively high-cost mill of tomorrow, and vice versa. It indicates a rather astounding ability of the mill to shift its labor output, and therefore labor cost position, by changes either of adapting the product to the market or adapting their machinery to the product.

Q. But you have said that some are efficient and some are inefficient in that group?

A. Yes.

Q. Now, on the assumption that 5% of the total employment in the industry was in inefficient, low-wage, high-cost firms, would you consider that to be a substantial amount of unemployment if they were to go out of business?

A. May I say in that connection that I would not believe that if they were to go out of business that would necessarily be a net decline of employment of that much. At least part of that business and that employment would be transferred to other firms, as it is being constantly transferred in the competitive game where mills do not keep up with the progress made by the industry. Certainly, taking into consideration that transfer, I would not believe that the net effect on the industry could possibly be a substantial curtailment of employment.

Q. Could that transfer be effected without price change?

A. Yes. The more efficient mills were making a hypothesis that the low-wage mills are inefficient here, which is not altogether true; but the more efficient mills can clearly turn out the product at a lower labor cost in spite of the higher wages, and they would be able

without a price change to take over the business profitably that the inefficient low-wage mill had had before.

Q. Do they have that capacity, to take over the business?

A. They certainly have—the figures on capacity in the industry demonstrate at least that much, that there is enough capacity to take up such business as might be lost by mills employing 5 or 7 or even 10 or considerably higher proportions of the total employment.

Q. Have you considered the possibility of unemployment resulting from mills becoming more efficient through better management methods or through the use of more effective equipment, new equipment?

A. That kind of unemployment (if it is unemployment) is occurring all the time. The figures of man-hour productivity indicate that it takes much less man-hour expenditure to produce a given quantity of textile goods today than even 5 years ago. Offsetting that, however, are the reflex effects of such increases of efficiency on the prices at which the goods can be sold and on the consumption of the goods, not to speak of the increases in employment from the installation—the making and the installation of the more modern equipment which is necessary to effect those changes.

Q. Do you have any record of experience with employment resulting from price increases from any arbitrary—such as the arbitrary increase of the price of cotton?

A. Yes. The experience of this industry in recent years indicates that employment almost without exception has been highest during those periods, such as the end of 1933, '36 and '37, during which the basic cotton prices were higher. In general, the raising and stabilizing of cotton prices—within limits, of course—has led to improved conditions in the industry, rather than the reverse.

Q. You spoke of the possibility of an absorption of increased costs somewhere along the line from the manufacturer to the retailer. Have you any data on relative mark-ons and margins in retail stores on items which use cotton, which are made up of cotton, compared to mark-ons and margins on other products?

A. I recall data we have from the hosiery field which would affect cotton yarns for sale, and there the evidence is distinctly that the hosiery, including cotton hosiery, is an exceptionally profitable item to retailers.

If I may, I will consult my assistants to find out whether there is any other data readily available.

That is all I seem to have at the moment.

Q. One final question: Have you any information on the present level of wages in the textile industry—in the South particularly—in relation to wages in other nontextile industries?

A. Yes, I did collect some information on that.

Here is a tabulation I had prepared by the Bureau of Labor Statistics, for a number of southern states where cotton textile production is most important. There are figures taken from the records of the Division of Employment and Payrolls in the Bureau of Labor Statistics. In each case the average hourly earnings in cotton goods manufacturing are compared with all other manufacturing in the same state. The figures run as follows:

Alabama: Cotton goods, 34.8; all other, 55.3.

Georgia: Cotton goods, 36.7; all other, 44.6.

Mississippi: 30.9; all other, 39.4.

North Carolina: That is a particularly good comparison, because North Carolina is such an important cotton textile state, and it is also a state of fairly well-balanced production of different types: cotton goods, 37.6; all other manufacturing, 44.6.

South Carolina: 36.8, cotton; and all other, 40.6.

Tennessee: 37.9; all other, 46.9.

Texas: Cotton goods, 32.4; all other, 61.9.

Virginia: Cotton goods, 37.4; all other manufacturing, 51.0.

Q. What conclusions do you draw from that?

A. Consistently the cotton manufacturing branch in the states where cotton manufacturing is most important in the South have a much lower average of hourly earnings than of all other manufacturing in those same states.

Mr. DAUGHERTY. I think that is all.

Administrator ANDREWS. Mr. Pitts?

Mr. PITTS. No further questions?

Administrator ANDREWS. Any further questions?

Mr. JOHN ABT. I have some several questions.

Mr. Administrator, before questioning Mr. Tolles, there is one matter I should have noted for the record at the outset I would like to note now, and that is a change in the name of the organization that I represent. Throughout the prior proceedings in this matter, the Textile Workers Organizing Committee appeared, and likewise was represented on the committee. Since the time of the last proceedings here, by process of consolidation and change of name the Textile Workers Organizing Committee has been succeeded by another labor organization, under the name of Textile Workers Union of America, and it is the Textile Workers Union of America as successor to the Textile Workers Organizing Committee that is appearing here today.

Administrator ANDREWS. That wouldn't change the vote of the representatives on our committee?

Mr. ABT. Not at all.

Cross-examination by Mr. ABT:

Q. Mr. Tolles, you gave us a very enlightening account of the effect of the 32½¢ minimum in terms of

increases in the cost of what we may call consumers goods, made of cotton textiles. Have you given consideration to the effect of the 32½¢ minimum upon the consumption of textile products consumed in industry—that is, in industrial uses, rather than in consumer uses?

A. Not as much study, because I should not expect to find the relationship there even as direct as in the case of the apparel items. For example, the cotton products which go in the manufacture of tires, or indirectly into the manufacture of automobiles, are a very much smaller proportion of the aggregate value of those respective products than the cotton goods is in the case of wearing apparel items; so that the increase in the price of those items to consumers which would be necessarily exact to cover the increased cost due to a 32½¢ minimum in the cotton textile industry would, I should judge, fall almost to the vanishing point.

Q. And what percent, if you know, of the entire production of cotton textiles is consumed in the form of industrial, as contrasted with consumer, consumption?

A. I believe the figure is approximately 40%.

Q. 40% goes into industrial use?

A. I think that includes also agricultural uses—that is right, 40% industrial and agricultural.

Q. And what do you mean by "agricultural" use, Mr. Tolles?

A. I mean binder twine, that kind of thing.

Q. Have you given consideration to the possible use of substitutes for cotton textiles or cotton fabrics resulting from the application of a 32½¢ minimum?—and by "substitutes" I refer now to substitutes not covered by the Industry Committee's definition.

A. I have given some consideration to that. The chief possibility there is the substitution of paper. In

that connection it is important, I believe, to notice that relative to cotton, the paper and paper manufacturing industry is a much higher wage industry. Such competition of paper with cotton is distinctly not low-wage competition.

The principal types of possible substitution, with that one exception, are types within the jurisdiction of the Committee, and the paper represents the exception.

I have, if you like, some average hourly earnings in paper and pulp as compare with cotton, if you consider that pertinent.

Q. I think it might be well to have that for the record.

A. On the latest available figures, in published form, the "Monthly Labor Review," we have paper and pulp, an average wage of 54.7—excuse me—61.1¢ an hour, as compared with 34—no, 38.4 in the cotton textile industry.

Q. And in your opinion paper is the only competing product that lies outside of the jurisdiction of this Committee?

A. Well, it is certainly the most important one. In a broad sense, all commodities compete for the consumer's dollar.

Q. Now, Mr. Tolles, in your opinion will the application of the 32½¢ minimum cause any shift in the uses of the products within the jurisdiction of the Committee—that is to say, as a result of the 32½¢ minimum, will cotton be substituted for rayon, or vice versa, and the same phenomenon with respect to the other products included within the jurisdiction of the Committee?

A. The effect of the minimum is so small compared to the broad tidal waves of style and technological effect that I would challenge anyone to separate out the peculiar effects of a 32½¢ minimum in causing any such shift. My own analysis has been directed to cotton as the weakest unit in the change, if there is any weak-

ness, and there the effects of the minimum appear to me to be so moderate that one could hardly attribute any shifts in consumption directly to such a changed relative position.

It is true that the cotton branch will probably bear a slightly greater increase in labor costs than the silk and rayon branch, but the rayon in particular has been making such gains over cotton at the present wages that I should attribute any changes that occur in the future primarily to technological changes and style changes.

Q. Now you said previously, and repeat it again, that you selected cotton for particular attention because of the fact that the wage scale in cotton is below that of any other product embraced within the jurisdiction of the Committee, and therefore that if the 32½¢ minimum resulted in no decrease in consumption of cotton it would—or in any case that the decrease in the consumption of the other commodities within the jurisdiction of the Committee would necessarily be less than cotton because of the fact that cotton had the lowest average wage of all of the products within that category.

Now is that question of average wage the sole determinant, would you say, on the question of the effect upon consumption which will result from a 32½¢ minimum?

A. No. The proportion of labor cost in the manufacturing costs and the type of margins you find all the way through for the commodities you may wish to contrast with cotton.

Q. And would not also a possible other factor be the existence of substitutes for rayon, silk, or some of the other items in this group as against the absence of such substitutes for cotton?

A. Distinctly. In my opinion the distinct merit of the definition with which we are now dealing is that the possibilities, the maximum possibilities of substitution

are made very small by bringing into the definition at one time—and therefore into the scope of a wage order—the great bulk of the possible substitutes.

Q. You said earlier in your testimony that in your opinion the definition was equally sound. Did you have in mind this question of the embracing of all possible substitutes?

A. I had that in mind as one of the primary reasons for giving that opinion.

Q. What were the other reasons, if I may ask?

A. The actual way in which these various products are made—that is, in arriving at that opinion I had regard for the combinations of types of production that occur within an individual mill. Actually it would be very difficult, if not impossible, to determine universally what is a cotton mill today as distinct from a rayon mill; and when I say that rayon has a higher average of hourly earnings and therefore that the effect would be less in rayon mills than in cotton mills, I mean mills classified by the Census as rayon mills, which means in general that they are traditionally regarded as rayon mills; but every day mills that have been cotton mills are shifting to rayon in increasing proportions.

That is one example, and other examples are very numerous of highly fabricated products which are also made in cotton mills, an easy example being sheets. Had the definition been drawn to stop with the production of gray goods in all cases, there would have been the possibility of two different minimum wage standards as between the processes for the making of the gray goods that goes in the sheets and the finishing of the sheets. Now the overwhelming proportion of sheets are finished in the mills that make the gray goods, and those situations were studied very carefully before the limits of the definition were ultimately determined upon.

211006—40——9

Q. Would you say that situations of the type that you have described with respect to rayon and finishing and their relation to cotton textile weaving applies to a greater or less degree thoughout all of the products embraced within the Industry Committee definition?

A. Yes; I will say that those products and processes were examined separately along the two lines that I have mentioned. The competitive relations with cotton or with the competitors of cotton in turn, and the industrial combinations of production and the products and processes were in my view well selected to cover the field which it would be economically advisable to cover because of those two factors of competition and industrial combination of the products.

Q. I would say, Mr. Tolles, that I understand the making of the definition was the function of the Administrator, rather than yourself, but I wanted to get your expert opinions on the propriety of that definition, may I say?

A. That is right. I helped to furnish technical analysis, on which I might presume that the Administrator in part based his conclusions on, but I had no direct part in making the definition, and of course it is a matter of public record that to a considerable part the definition was arrived at by—through a recommendation of the Industry Committee itself.

Q. Well, let me get back to a question which we didn't—line of questioning which we didn't quite complete and on which we digressed to this other question.

You say that your statement to the effect that cotton is the least favorably situated of all the products embraced within the Industry Committee definition is not based solely upon the fact that cotton has the lowest wage scale of all of these products, but is based on at least two other factors—one is the percent of labor cost to cost of product; another is the possible existence of

substitutes; and perhaps a third is the margins existing within the industry. Did you give consideration to all those three factors, in addition to the fact that cotton has the lowest wage scale, in reaching the conclusion that cotton is the least favorably situated of all of these products with respect to a 31½¢ minimum wage?

A. I gave consideration to all those factors. The exact position of cotton and other items in the definition may vary somewhat as regards those factors singly, but it is my opinion that the net effect of the combination of those factors is to make cotton the least favorably situated.

Q. Now, Mr. Tolles, I think you stated that on the assumption that after October 24, 1939, there would be a compliance with the mandatory 30¢ minimum, a 32½¢ minimum would represent an over-all increase in the cotton wage bill of 2.9%, is that correct?

A. Additional—no, 2.1% additional to the result of the 30¢ minimum.

Q. Yes. Now have you computed what the increase over—in terms of percentage, what the increase over the mandatory 30¢ minimum would be for the southern states?

A. I did compute such a figure. I would like to find out whether I have it here.

Yes, in the southern states the increase in the wage bill computed by exactly the same method as I computed the 6¼% increase at 32½¢ would be 4.1.

Q. And this method assumes universal compliance with the mandatory 30¢ minimum which becomes effective on October 24, 1939?

A. No. That 4.1 is the amount required to meet that 30¢ minimum over and above the wage level at the present time. Perhaps I didn't understand your question.

Q. My question is this—let me start over. Have you computed the increase in the total wage bill for the

cotton textile industry which will result from the application of a 32½¢ minimum, assuming universal compliance with the mandatory 30¢ minimum, which becomes effective on October 24, 1939? In other words, what will the increase in the wage bill of the industry be to bring the minimum wage in the industry from 30¢ to 32½¢?

A. In the South?

Q. First, throughout the country, and then in the South.

A. Throughout the country, the figure is 2.1, being the difference between 1.9 at 30¢ and 4.0 at 32½¢. Both of those figures are the amount additional to the compliance with the present 25¢ minimum. In the South, the addition required to meet the 30¢ minimum would be 4.1% of the wage bill, and the addition required to meet the 32½¢ minimum would be 6.25, as I gave before; so that in the South the net difference, computed as a percentage of the present wage bill, would be 2.15%.

Q. Now, Mr. Tolles, I think you gave us the percentage of the cotton industry located in the Southwest in terms of value of product and number of establishments and number of workers employed. Do you have similar information for silk, rayon, and jute?

A. The figure I gave combined all of those items.

Q. Combined all of those?

A. Yes—I am sorry; excuse me—let me check on that.

I was wrong. The figure I gave included only cotton. The percentage of all of the products would be still less than the percentage I gave.

Q. Do you have the figure for an over-all percentage?

A. I don't know whether I brought it—I am sorry, I haven't got it here.

Q. I wonder if it would be possible to supply it later in the hearing, Mr. Tolles?

A. Depending on the rules of procedure here. I can easily get it.

Mr. ABT. It might be well for the record to have that figure at some stage of the proceedings.

Administrator ANDREWS. I imagine that under the rules the Committee has the right to close a hearing, so I suppose at that time Mr. Tolles may appear again.

Mr. PITTS. I will be glad to put Mr. Tolles on for that purpose.

Q. Just one other question, Mr. Tolles:

In Mr. Daugherty's examination he raised the question of your consideration of the profitability of the industry. Now, as I understand your analysis of the effect of a 32½¢ minimum on cotton consumption, you assumed that the entire increase which would result from the imposition of a 32½¢ minimum would be passed along to the consumer in terms of increased prices—that is, that was one of your assumptions. Now do I understand you correctly that making that assumption the increase in the cost to the consumer would not be sufficient to appreciably curtail consumption?

A. That is right.

Q. Now if that opinion on your part is sound, does it or does it not follow that in considering the effect of the imposition of the 32½¢ minimum the question of profit is not a crucial or important question, since, I assume, that if the entire increase in the wage bill is passed along, the profit margin will remain the same?

A. That is right. The profitability of the industry as a whole is not involved under the assumption that the entire increase will be passed along. You will recall that I made two calculations as to the amount of

that price. The first calculation was the increase in the price required to cover the average increase in cost. The second calculation was the increase in price required to cover the increase or more than cover the increase of nine-tenths of the industry. On that second calculation the question of profitability does not arise in the adverse sense for nine-tenths of the industry. It arises, if at all, for the less than—the mills employing only 5% of the workers. And may I add that under those circumstances the profitability of all the mills previously paying over 30¢ an hour as an average would be increased.

Mr. ABT. That is all, Mr. Administrator.

Administrator ANDREWS. Any other questions, please?

Mr. TYRE TAYLOR (Counsel for the American Cotton Manufacturers Association): I have a question, Mr. Administrator.

Further cross-examination by Mr. TAYLOR:

Q. Mr. Tolles, in your discussion of the distribution of the industry, I believe you stated that 89% of the value of the total products produced by the textile industry under the jurisdiction of Industry Committee No. 1 were produced in the states of North Carolina, South Carolina, Massachusetts, Georgia, Pennsylvania, New Jersey, Rhode Island, New York, Alabama, and Connecticut.

A. That is right.

Q. Do you have the information there, Mr. Tolles—or I think you gave part of it, but I am anxious to have a break-down by each one of these states—in other words, the percentage of the total value that would apply in the case of North Carolina and each of the other states.

A. I would be glad to give that.

North Carolina: 17.8% of the total value product of all the types of textiles under the jurisdiction of Industry Committee No. 1.

Similarly: South Carolina, 12.8; Massachusetts, 12.5; Georgia, 9.7; Pennsylvania, 9.0; New Jersey, 6.7; Rhode Island, 5.9; New York, 5.7; Alabama, 5.5; Connecticut, 3.7.

Q. Now, Mr. Tolles, I might have misunderstood your next statement as to the number of establishments and the number of employees represented by each—by this group of ten states; but as I have it here, you stated that approximately nine-tenths of the number of establishments and nine-tenths of the number of employees were in that group of states. That may not be correct; I don't know.

A. I have 89% of the wage earners—I have not here the break-down of the figures by—excuse me—it is true: 89% of the establishments and the wage earners in that group taken as a whole.

Q. Could you give us a break-down by states as to each of those?

A. I am not sure that I have that available at the moment; I will see—these are not arranged quite so conveniently, but I will read first the percentage of the total number of establishments in the selected states. They won't be in the same order:

Massachusetts, 7.5; Rhode Island, 5.2; Connecticut, 3.5; New York, 10.6; New Jersey, 19.1; Pennsylvania, 17.5; North Carolina, 12.9; South Carolina, 5.7; Georgia, 4.6; Alabama, 2.9.

Those are all establishments. You wished also wage earners?

Q. Yes, I would like that, Mr. Tolles, if you have it.

A. Percentage of total number of wage earners in the combined textile industry:

Massachusetts, 12.4; Rhode Island, 5.5; Connecticut, 3.7; New York, 3.4; New Jersey, 5.7; Pennsylvania, 10.0; North Carolina, 19.4; South Carolina, 13.7; Georgia, 10.0; Alabama, 5.6.

Q Now, as I recall, Mr. Tolles, you stated that in your cotton textile branch of the industry that 5 states—that is, Massachusetts, North Carolina, South Carolina, Georgia, and Alabama—the following figures applied: as to total values, 70%; these 5 states had 73% of the wage earners, and 59% of the establishments. That is as I have it here. I wonder if you can make a break-down, similar to the one you have just made, as to all three of those items in the case of each of these states.

A. Considering the cotton branch only?

Q. Considering the cotton branch only, yes, sir.

A. Percentage of establishments of the total number of establishments in the cotton branch:

Massachusetts, 11.7; North Carolina, 25.4; South Carolina, 11.6; Georgia, 9.7; Alabama, 4.1.

Percentage of total number of wage earners in the cotton branch alone:

Massachusetts, 10.9; North Carolina, 24.5; South Carolina, 18.4; Georgia, 15.1; Alabama, 8.2.

Percentage of the total value product in the cotton branch alone:

Massachusetts, 10.6; North Carolina, 22.7; South Carolina, 17.3; Georgia, 15.3; and Alabama, 8.2.

Q. Mr. Tolles, you gave it as your opinion that the application of the proposed 32½¢ minimum would not appreciably displace employment. I take it that you used the language "appreciably" in the same sense that substantially is used in the Act; is that correct, sir?

A. Yes.

Q. Could you state how many employees in your opinion would have to be displaced before there would

be an appreciable curtailment of employment or substantial curtailment of employment?

A. No; I will not make a flat statement as to what is substantial. I am convinced that this isn't it. I think the weight of the available information casts doubt on whether there will be net—any net curtailment of employment due to this measure at all. If there is any net curtailment because of this measure, I am convinced that it will be in such small degree that in my opinion I could not possibly regard it as substantial.

Q. I take it, from that statement, Mr. Tolles, and your preceding testimony, that if this minimum did have the effect, we will say, of putting out of business a number of marginal or small mills, weak mills, in a particular locality, that it is your thought that that business would be absorbed or taken over by other mills perhaps in some other locality, so that no net unemployment would result?

A. I think that a considerable portion of any such business if it is lost to those mills would be taken up by other mills.

Q. And you think that unemployment resulting in that class of mills and perhaps in certain localities, even though it might be total unemployment as to a particular group of mills or a particular mill, that that is not substantial unemployment as contemplated by the Act?

A. As I understand the Act, the substantial unemployment contemplated there is substantial unemployment in the industry.

Q. That is, substantial net over-all employment?

A. Yes, except that I personally regard a grave dislocation coming suddenly, if it did occur, to have the effect on the industry as a whole of creating at least for the time substantial unemployment—that is, that would

be a possibility, and a possibility that I have been in my own mind taking into consideration.

Q. Would the effect of this minimum be, in your opinion, that insofar as the inefficient marginal and weak mills are displaced that that business would go to the—in general it would go to the low-cost efficient mills, wherever they might be located?

A. Over a period of time. I would not expect any effect following from a measure of this character and of this proportion to be an over-night effect, and if there are mills which announce that the mill is being closed because of the effect of this minimum, I should personally suspect that there were a great many of other reasons which had forced that mill close the limit of possible operation, and that the independent effect of this particular minimum would be in that case the one factor selected out of many to which the closing down of the mill might be attributed by that parties that wished to attribute it to that.

Q. In other words, your thought there, as I gather it, is, Mr. Tolles, that if this minimum should put a number of mills out of business, should prove to be the straw that broke the camel's back, so to speak, that nevertheless you would not attribute any curtailment of employment that resulted from that to the minimum, but to other factors as well?

A. I should want to know in those cases what chance that mill had to succeed without this minimum. If the mill had a fair prospect of operating over a long period of time competitively without any adjustment, and this minimum made the difference between operation and nonoperation, even though it was only the straw that broke the camel's back, I should say in one sense the closing down of the mill might be attributed to this minimum; but what one would have to consider in that case is whether the minimum might not possibly have

affected at the most the timing of that closing down, rather than being the crucial factor determining whether the mill could operate or not.

Q. Well now, am I correct in assuming that it is your opinion that insofar as there is a closing down process resulting from this that the business will go from the high-cost inefficient marginal mills to the low-cost efficient mills—is that a correct assumption?

A. There will be a tendency in that direction. It is happening every day, in any case.

Q. Then would there not be a certain amount of net unemployment by reason of the fact that the efficient low-cost mills can turn out goods with fewer man-hours and fewer employees than some of these inefficient marginal mills?

A. To the extent that the minimum made the whole difference—or made a substantial difference in the rate at which that change is occurring; but the change is occurring all the time. As I have said before, the number of man-hours that it takes to produce cotton goods is consistently, all consistently declining, and that is a transfer not necessarily from high-cost mills to low-cost mills but a transfer from high-cost operations to low-cost operations. The other factor which must be considered there is the possibility of the mill adjusting itself by improving the nature of its own operations.

Q. I believe you said, as I roughly computed it, that approximately two-fifths of the spindles in the South might be considered obsolete at the present time in that they are apparently thirty years old?

A. I gave that as a general indicator that there was a sizeable amount of obsolete equipment. Now whether those are in the South, whether they are in the low-wage mills or not, can't be accurately determined. It is quite possible that a large proportion of that older equipment represents stand-by equipment scattered over a

great number of mills. Obviously the worst case—I won't say the worst; the case in which the adjustment problem to any minimum is the most serious, is the place where all of the equipment is older equipment and where the mill has been surviving as long as it has only because of a highly exceptional wage in the industry. The surface indications from the information I have is that that particular combination of factors is an exceptional thing.

Q. As I recall, you stated that in your opinion the raising of the wage minimum would accelerate or have a tendency to accelerate the process or the necessity for modernization?

A. Very slightly.

Q. Have you made any survey or do you have any information as to the financial position or ability of these small marginal, weak mills to put on a modernization program?

A. I collected some figures once as to the R. F. C. loans obtained by textile mills, which indicate that those mills that haven't normal—what might be called normal commercial access to additional funds are getting funds through R. F. C., and I have less exact information that in a considerable proportion of those cases the funds are for modernization of plant.

Q. In your opinion, Mr. Tolles, will the effect of this wage minimum be to promote or favor large-scale as against small-scale industry, or, to put it perhaps a little stronger than that, is the tendency of the whole thing in the direction of furthering monopoly?

A. I think that the cotton textile branch is so far from an approach to monopoly that the difference between some additional consolidation of production into larger units wouldn't make any appreciable difference in the intensely competitive situation that exists.

Q. Do you happen to know how many spindles have been displaced since October, sir?

A. Spindles displaced? I haven't available recent spindle figures, as to spindles in place; I note that the number of active spindle hours has been increasing. I can get those figures as to spindles in place, if you wish.

Q. I was interested in the statement that you quoted from the New York Times there. Do you happen to have that there?

A. I have it here, yes, sir. [Handing it to Mr. Taylor.]

Q. Thank you. I happened to read that myself, and I was interested both in the aspect of it suggested by you and also by the statement that prices on a majority of constructions still are below cost. In other words, the story as I read it indicated that the industry is perhaps still operating a good deal below cost.

A. I noticed that statement also, and I read it with two thoughts in mind. The first thing that occurred to me was "Whose cost?" When a broad statement is made that it is below cost, in view of the wide variations in unit cost that exist in this industry, I should be very glad to have more accurate information as to whose cost was meant. I have, of course, brought out independently the fact that the cost-profit situation for the past—put it 18 months—in the textile industry has been weak. The textile industry as I know it is an industry that shifts very rapidly from highly unprofitable to highly profitable conditions. It has been called a "prince or pauper industry."

Now the factor which I should like to have noticed in connection with the statement, for whatever it means, that prices are still below cost, is the factor of the working off of the surplus, which I believe has already had some effect on the stiffening the prices, and which,

judged on past experience, might well lead to a very sudden change in the price situation.

Q. Mr. Tolles, you did discuss to some extent the situation as to mill margins. Would you repeat, and if possible elaborate a little bit for the benefit of the record, the situation as to mill margins now as compared with, say, a three- or four- or five-year period, any convenient period for which you may have the figures?

A. I have mill margin figures here as computed by the Bureau of Agricultural Economics, down to April. This is an average of 17 constructions, and as computed in that form the latest figure in April comes out to 10.01¢. That figure is lower—excuse me; is higher—no, excuse me; it is lower than at any period, any month, since the beginning of 1937. But it is also important to notice that the 1937 mill margin figure was higher than in any other annual period since 1928. Being a little more specific, the mill margin figure in the latest month of 10.01 compares with an average for 1933 of 10.07, and 1933 was a period of both extreme depression in the first 3 months and extreme activity in the months which followed, as you know.

Q. On the score of profits of the industry generally, Mr. Tolles, what is the record from the past 10 years? Has it been an industry that has consistently made money, paid dividends, or has it lost money, and if so, when?

A. It hasn't done it consistently either. It's moved very rapidly from between a profit and loss position. It was highly profitable in the boom period in 1933. It was moderately profitable again in 1935. It was highly profitable for about a year period ending in the first half of 1937. In between those periods there were periods of considerable losses for a large proportion of the industry. There was, except for brief periods,

however, net profits on sales for some firms throughout the period '33 to '36. I have not very accurate figures for any period since the middle of 1936 except as profits may be judged by mill margins, and of course, as everyone familiar with those mill margin figures recognizes, over any considerable period of time the mill margin has to be qualified by the out-put figures for the industry, the mill margin representing the gross amount that is left after raw cotton is paid for, and those mill margins decline over a period of time as efficiency increases, without any comparable decline or perhaps even consistently with an increase in the profit position.

Q. In your opinion has the industry been making or losing money since the 1937 period of prosperity?

A. In my opinion the industry as a whole has been losing money since the 1937 boom broke.

Q. As I recall, it was your opinion that the total increase in labor costs would approximate 6¾%, is that——

A. In the South.

Q. In the South, that is correct—and that that percentage included raises above the minimum of 32½¢.

A. Includes a factor of 14.4% raise—that is, we computed the labor costs involved in raising workers already earning 32½¢ as being 14.4% of the increase in labor costs involved in raising workers up to that figure.

Q. Could you tell us what basis you used for arriving at that?

A. Yes. We studied the experience of the industry immediately after—in the year after the introduction of the N. R. A. Code, and we found that the increases that occurred during the year period after the introduction of the Code were in the South 14.4% of the increases that occurred immediately.

Q. Is it true that under the N. R. A. Code that scrubbers and cleaners and outside help were on a lower minimum than other similar labor? Was there some special treatment of that class of work?

A. That is true; but if you consider the answer to that question as relevant to the amount of the computation for workers above the minimum, I must also point out that the increase at the time of the N. R. A. Code involved—excuse me: that the minimum placed in at the time of the N. R. A. Code was a minimum higher than the wages previously earned by four-fifths of the workers, as against 34% of the workers in this case.

Q. In your discussion of transportation costs, I believe you stated that you were present at all of the sessions of the Industry Committee?

A. Yes, except for a portion of one of the meetings of one of the subcommittees.

Q. To what extent was this factor considered by the Committee, Mr. Tolles?

Mr. PITTS. Mr. Administrator, I object to that line of questioning, inasmuch as the meetings of the Committee were privileged under the rules and regulations that are applicable to the procedure of the Industry Committees. What they considered and the extent to which they considered it is a matter that is not open to question. The material that was presented to them is another question, and that is all that Mr. Tolles testified to.

Administrator ANDREWS. Well, what you object to, Mr. Pitts, is that the question is asking for Mr. Tolles to give his opinion as to what was on the minds of the Committee members?

Mr. PITTS. That, and especially—I believe that that is the principal reason he should not testify. In addition to that, the matter that was considered by the

Committee is in the record. The extent to which they considered it is reflected in their own report, which covers the matter completely.

Administrator ANDREWS. Well, perhaps Mr. Tolles could answer the amount or about the extent of the information which he gave the Committee on that particular point.

Mr. PITTS. There is no harm in that, no objection to that.

Mr. TAYLOR. I am entirely willing to withdraw the question, Mr. Administrator, because we can develop it in another way, sir.

Administrator ANDREWS. Thank you.

Q. Mr. Tolles, in your discussion and testimony here today as to the cost of living: do you have any breakdown available there as the basis of these data? For instance, I am very much interested to know the differences in your rent item, your fuel item, clothing, and food, other primary elements of the total figure.

A. If I may have the relevant exhibit here, just a moment, I can answer the question. (The exhibit was handed to the witness.)

Yes, you will find, beginning on page 11 of the document identified as the Committee's Exhibit No. 10, a discussion of the influence of specific budget groups on the cost of living.

Q. That is in the information that is a part of the exhibit?

A. That is right.

Q. That is satisfactory.

Well, I would like to ask one more question in connection with it, and that is do you take into account there the mill village situation and its effect on the rent item?

A. I must answer that by saying that I don't take into account anything, as regards those situations, because I

take the figures as submitted for the individual cities with the break-downs for rent, fuel, et cetera, as submitted, and have confined myself to analyzing the results of those figures. I could perhaps comment, not as an official of the Bureau of Labor Statistics, regarding the applicability of the mill village situation.

Q. I will ask my question in a different way, sir.

In the figures that were furnished you, was any consideration given to that situation?

A. My understanding, which would have to be checked against the direct testimony by the officials who collected those figures, is that on the whole, perquisites in general furnished by the mill owner were not involved in these figures, and I understand further that the reason for avoiding a special calculation as to the value of those perquisites is because of the clause in the Act which provides a possible allowance in the minimum wage itself for the reasonable value of such perquisites furnished.

Q. Mr. Tolles, in your statement with reference to paper as a competing substitute, I believe you stated that the wages paid in the paper industry were substantially higher on an average than the wages paid in the cotton textile industry. Could you give us any information as to the situation that exists with reference to the ratio of value added in the process of manufacture and the ratio of that to wages in the two industries?

A. If I may have a moment, I could locate some relevant figures, I believe.

I have the figures now. Would you be good enough to phrase that question again so I can be sure and answer it correctly?

Q. I was interested to know the ratio of wages to value added in the case of paper and in the case of cotton.

A. The Census of Manufacturers for 1935 shows for paper, aggregate wages paid of 110,000,000, as against value added of 283,000,000.

For cotton goods manufacturing, confining the comparison to cotton woven goods over 12 inches in width—neglecting, therefore, narrow fabrics, yarn, and thread, and the dyeing and finishing industry—the figures are: for wages, 193,000,000; for value added, 298,000,000.

I have rounded those figures off.

Q. Would you make a quick calculation as to those percentages?

A. I am awfully poor at figures.

Administrator ANDREWS. Are you putting that in the record?

The WITNESS. Sir?

Administrator ANDREWS. Are you putting that in the record? [Laughter.]

A. Roughly, the percentage of wages paid to value added is 40% in case of paper and 64% in the case of cotton goods of the type referred to.

Mr. TAYLOR. Thank you, sir. That is all, Mr. Administrator.

Administrator ANDREWS. Any further questions?

CHAS. E. WYZANSKI, JR., (representing the National Association of Cotton Manufacturers). I have a few questions.

Further cross-examination by Mr. WYZANSKI:

Q. Mr. Tolles, if the proposed order setting a 32½¢ rate should go into effect, will the South still enjoy a labor differential over the North?

A. It certainly would.

Q. Can you estimate what that differential would be?

A. More paper work!

The reason for the differential will be that wages in the North range upward from the minimum to a

much greater extent than in the South. As to the exact amount, I can give the figure in a moment.

Adopting the percentages of increase in the wage bill which I would expect to occur, including allowances for increase above the minimum, I should estimate that the new wage level in the South would be 38.1¢ an hour as against a wage level of 47.3¢ an hour in the North.

Q. In your opinion will that more than compensate for any alleged differential which the South may have—which the North may have over the South or the South may have over the North with respect to cost of living, cost of transportation, and cost of production?

A. You mean so that the net situation after the minimums occur would leave the North having a higher wage as compared with the South enough to compensate for the then existing differences, if any, in transportation costs, living cost, and so forth?

Q. That is what I meant.

A. In that sense my answer is "Yes."

Q. In view of the answers that you have just given me, do you believe that it is likely that there will be any substantial transfer of the industry from South to North or in any other direction as a result of the promulgation of a 32½¢ minimum wage order?—I say "any other direction": I mean any other direction territorially.

A. And you are speaking, of course, of all the different types of mills that exist in those two regions.

Q. Well, let me ask it more specifically about cotton mills.

A. No, but in answering that question I must take into account mentally the fact that there are wide variations and differences in the amount of variation in the character of the equipment of the two industries, and the types of products they produce. The picture there is that the northern equipment appears to have about

average efficiency, whereas in the South you have some of the most up-to-date and at the same time some of the oldest equipment. Now I think that if there is any marked effect—I think if there is any effect at all, it will tend to shift business to those efficient enough to pay a minimum wage.

I should expect the chief effect, therefore, would be a shift within the South between different types of mills in the South, rather than an inter-regional shift; and I am putting a large question mark against the amount of shifting at all, in view of the amount of the increase involved.

Mr. WYZANSKI. Thank you very much.

Administrator Andrews: Any further questions, please?

Mr. K. P. LEWIS (president of the American Cotton Manufacturers Association). May I ask one question?

Administrator Andrews: Yes, sir.

Further cross-examination by Mr. LEWIS:

Q. I understood you to say that in the last two or three weeks there was considerable betterment in the industry, and gave as an illustration a half-cent advance in denim and a quarter-cent in print cloth. I just want to ask a question, if you took into consideration the change in the cotton market during the last two months. In other words, you haven't figured on the actual margins but that you took those increases in prices as evidence of better conditions?

A. Yes.

Q. Had you considered the price of cotton?

A. No, I have not.

Mr. LEWIS. That is the only question I wanted to ask.

The WITNESS. May I add to that that I intended that reference to be an indicator of the trend of conditions at the present time, rather than an indicator of any net

Mr. WYZANSKI. I don't want to be captious, but I want to know who is testifying.

The EXAMINER. The question is different than the former one, and we will let Mr. Berringer continue.

Mr. BERRINGER. Rather than us putting in ten to twenty man-hours, testimony man-hours, in Atlanta extra, it would be better to stand up here because there has been a lot of variance on these freight rates.

The WITNESS. I have to answer that question with a qualification on my knowledge as to the intimate dealings in raw cotton. I didn't bring up this question of raw cotton. It was brought up by certain minorities here who contended that figuring in differences in the transportation rates in raw cotton, some regions had an advantage over others. I confined my remarks to a statement that if there were such differences in advantages in a shipment of raw cotton to producers, the advantages were with the southeastern mills.

Now, I am not saying that there are advantages. Your assumption that the price is equalized at the mill, the advantage would be applied to the producer of the raw cotton rather than the mill owner. That may be so, I present no testimony on that. I am saying that if there is an advantage to any group of mills as regards the differences in transportation rates on raw cotton, the figures that I have been able to collect suggested that advantage redounds to the southeastern mills.

By Mr. BERRINGER:

Q. That may be true, but if a producer, by reason of his location as to freight differentials or schedules, obtains the benefit and gets better prices by reason of the fact that he has got to pay less money for the mile, that would point then that the producer was obtaining it rather than the mill.

As I do not know how these advantages are distributed as between the growers of raw cotton and the dealers of raw cotton and the mill owners. All I know is that there is less transportation cost to pay by somebody.

Q. That being the case, it would be pretty hard to bring a producer from this place over here and another one from "B" and another one from "C", all of them from different towns and different freight rates, and if they came into a mill and you made them three different prices for the same quality of cotton, it stands to reason you would very nearly have a fight on your hands, would you not?

A. I don't know.

Q. In other words, it would be pretty hard, it would look unfair, just the same as in wage scale going out to have loom fixers draw three different prices.

A. I am not testifying on that question.

Q. Would or would you not say that 35 percent, which has been admitted here, comes from beyond 200 miles, mills that substantially supply that amount, that it would be a price-making factor? To ignore a weight of 35 percent in making prices, would it have some bearing?

A. I would think it would. I would simply distinguish between 100 percent and 35 percent. That was the only point I was trying to make, that a majority of that cotton was obtained from rather short distances. As to the 35 percent that is obtained from long distances, this point perhaps did not apply.

Q. But if a man is buying cotton, day in and day out, some from one section, some within the 200 and some without the 200, it stands to reason that you wouldn't be buying cotton beyond the 200 miles if he were paying more money for it than he would be paying within

porfitability at the present time or loss position at the present time.

Q. You didn't figure on the margin itself?

A. No.

Mr. LEWIS. That is all.

Mr. L. T. BARINGER (American Cotton Manufacturers Association). I have a few questions, Mr. Administrator, to ask Mr. Tolles.

Further cross-examination by Mr. BARRINGER:

Q. Mr. Tolles, did you investigate the prices producers obtain for various and sundry qualities of cotton?

A. Raw cotton?

Q. Yes; raw cotton. You made a study here, testified——

A. (Interposing.) I didn't think—excuse me——

Q. You went into the freight-rate situation in a minor way.

A. As it affected possible differences in the costs.

Q. Between the costs of the two sections of the country, the North versus the South?

A. Of cotton manufacturers.

Q. That is right. Now I was just wanting to lead up to some of the facts in that situation. That was the reason that I asked if you had investigated the prices of various sections of the country for certain producers.

A. The prices which cotton manufacturers had to pay for cotton, for raw cotton?

Q. The producers obtained for the cotton.

A. You mean the agricultural producers of raw cotton?

Q. Yes; agricultural.

A. No; I didn't make any extended investigation of that, because those producers are not in the scope of this order.

Q. But when it comes to the regions and sections of the country, they are within the scope of the order, is that not true—the two manufacturers, the North versus the South?

A. The two manufacturers are.

Q. I realize you did not go into the freight rate situation very closely, so I am trying to develop what I can on the plane of economic lines. I believe you have qualified here as an economist; is that right?

Administrator ANDREWS. I accepted his qualifications as an economist.

By Mr. BARRINGER:

Q. As an example, whenever 35 per cent of raw material supply, of the same standard of quality, is used by manufacturers in a section, would not you say that the purchaser is paying the same schedule of prices, as near as possible, quality for quality, especially when purchases are being made daily from various territories?

In other words, you buy 65 percent of your cotton over here, as I believe you said Mr. Wright and others stated that two-thirds came from the Southeast and one-third from territory other than that. If 35 percent of the cotton is bought every day, quality for quality, do you think the manufacturer would be buying cotton any cheaper in the 65 percent territory than in the 35 percent territory?

Mr. PITTS. Do you understand that question, Mr. Tolles?

The WITNESS. I think I do. I think the answer is that the purchaser would buy different qualities of cotton from different regions.

By Mr. BARRINGER:

Q. I say quality for quality, the same identical quality. If there is any difference in quality you would make a differential in price; we understand that. If it

is from two different sections and you get different qualities, naturally there will be a difference in the prices.

A. My conclusion occurs because of the fact that the figures of 35 percent and 65 percent applied to cottons of all qualities. From what little I know of the growth of cotton, I believe that a majority of the cotton used in the Southeast and purchased from the Southwest will tend to be of different quality than that purchased locally.

You have put in the reservation "quality for quality," and I am not sure the comparison results that way, as a matter of fact.

Mr. PITTS. Mr. Administrator, I think the cross-examination should be confined to matters on which the witness has qualified himself, and on which he testified on direct examination. At this time I believe you should insist that the questions be directed to the testimony he gave on direct examination, in determining the accuracy of that.

Administrator ANDREWS. I believe Mr. Pitts is right. As you know, we have set no limits on this hearing, and you may put on such evidence as you wish on those questions. I think it is unfair to cross-examine the witness on matters on which he has not testified.

Mr. BARRINGER. That may be true, but the witness has gone ahead and made very broad statements about being unable to make heads or tails about freight rates. He will probably be one of the economists to pass on some of this, and when he does we want to be sure our minds are reconciled.

Administrator ANDREWS. I am here to hear anybody you want to put on to testify as an expert on those questions.

Mr. BARRINGER. I intend to testify myself later, but I wanted to ask him purely economic questions, and that

is why I asked at the beginning about his being qualified as an economist. I understand the freight rate situation is a mess, and we will have to try to get it where we can see daylight, if possible.

Mr. PITTS. Inasmuch as counsel for this Association has already cross-examined the witness, and in view of the fact we have several witnesses yet to be heard, it would help us a great deal if this cross-examination were confined to questions Mr. Tolles testified to.

Administrator ANDREWS. It might be said you will have all the time you want for your own witnesses. Mr. Tolles has been on the stand quite a long time, and he may be on the stand again.

Mr. BARRINGER. Will he be recalled for cross-examination?

Administrator ANDREWS. He will if it pertains to anything he was put on the stand to testify to.

Mr. BARRINGER. That still will not get him on that score. If you are going to consider cotton freight rates here, there is some question for argument.

Administrator ANDREWS. I believe he did say something about freight rates. Suppose you ask him what he said about freight rates.

Mr. MCNULTY. Is the question to cross-examine Mr. Tolles on freight rates?

Mr. BARRINGER. Freight rates are an important factor, and will have to be cleared up in some way. I was going to ask these questions and put our figures in later.

Mr. MCNULTY. I was trying to assist Mr. Andrews in making his ruling by asking you what the purpose of your questioning was.

Mr. BARRINGER. My purpose is this: About 12 or 14 million bales of cotton are grown in the South. He put in testimony that they had freight rates of 9 cents per 100 pounds within a 35-mile range of mills. That

would lead you to believe that a lot of mills get cotton delivered at the mill for 9 cents per 100 pounds. That is not true.

Administrator ANDREWS. You are not a witness, and you are not under oath. We will be glad to hear your purpose.

Mr. BARRINGER. I will be under oath. He asked what I was leading up to, and I was explaining why I was developing that testimony here, because some of those figures might be misleading, especially that 9 cents per 100 pounds.

Administrator ANDREWS. You may proceed, then, with that question.

By Mr. BARRINGER:

Q. Now we will go back to that first question. Do you have it in mind?

A. Yes.

Mr. PITTS. I think Mr. Barringer should state the question again to see if it is leading to the point of 9 cents per 100 pounds.

Mr. BARRINGER. I will let you read all the questions I have.

By Mr. BARRINGER:

Q. Now as an example, whenever 35 percent of raw material supply——

Mr. PITTS (interposing). I protest that he should be questioned on testimony he gave. I know of no testimony of 35 percent and 65 percent related in the manner Mr. Barringer is bringing out.

Administrator ANDREWS. Suppose we allow the witness and the questioner to confer on the question.

(Discussion off the record.)

Administrator ANDREWS. Mr. Tolles will be excused until tomorrow to permit some people to appear who will have to leave tonight. The gentleman questioning Mr. Tolles agreed to it.

NEWMAN ARNOLD TOLLES, A WITNESS CALLED ON BEHALF OF THE COMMITTEE

Cross-examination by Mr. BERRINGER:

Q. You put in your statement, included some interstate rates. In that particular scale you started off with 35 miles and under, 9 cents per hundred miles; for distances of 100 miles, 20 cents per hundred.

For distances of 150 miles, 25 cents, 200 miles, 30 cents. If the price paid the producer reflects the scale of rates which you testified to, applying in and to southeastern mill regions, who would you say benefits thereto as to the difference in published schedules?

A. On the assumption that you make, that the price to the grower of cotton is higher by the amount of advantage in transportation rates on raw cotton, obviously the producer of the raw cotton would reap the benefit.

Q. You also testified there that southeastern mills obtain much of their cotton within points not exceeding 200 miles, and also stated that approximately 35 percent of the cotton came from beyond points 200 miles and greater distances from the mills.

Now, such being the case, that is this 35 percent that go beyond the 200-mile territory, would this 35 percent, coming from another section, would not you say, and we have 35 percent of the raw material supplied is of the same standard and the same standard used, would not you say it seems reasonable that the purchaser is paying the same price schedule at his plant as near as possible, quality for quality considered? In other words, you are buying cotton here today and within a 200-mile territory and cotton just outside the 200-mile territory. Would it sound plausible to you that a man goes 200 miles where the 65 percent and if he went into the 66 percent he would make a differential in prices landing in his mill?

the 200 miles. In other words, you think the margins are such——

Mr. PITTS (interposing). Mr. Administrator, I believe that this is argumentative, that it is not confined to the substance to which Mr. Tolles testified on direct examination, and that this hearing will be interminable if this type of questioning is continued.

Administrator ANDREWS. My legal advisor will speak.

Mr. MCNULTY. Mr. Berringer is cross-examining a witness the Administrator has accepted as an expert and I think he is entitled to ask hypothetical questions.

Mr. PITTS. Mr. Tolles himself has acknowledged that he is no expert in the transportation field, that he was presented certain information to the Administrator that had been obtained for him and for the Administrator's own information. He doesn't profess to be a traffic expert, and though this type of questioning might be directed to a traffic expert, I question the propriety of its continuance now with Mr. Tolles.

Mr. BERRINGER. Mr. Attorney, a traffic expert knows very little about the price of cotton. That is the reason I am putting this up as an economical proposition.

Mr. PITTS. Please address your remarks to the Administrator.

The WITNESS. It would take a cotton man or economist to answer these questions, and since you all have paid to put one in there, I am trying to get at it from an economical standpoint.

Mr. PITTS. Mr. Administrator, we have called to Mr. Berringer's attention he will have an opportunity to test him on the price of cotton and put on any other witnesses for that fact.

Administrator ANDREWS. I would like for you to know, Mr. Berringer, that I am interested in having this information for my own information and I do hope you do that, but I do think that Mr. Pitts is right, that

Mr. Tolles has not been testifying as an expert and authority on freight rates.

Mr. BERRINGER. Mr. Administrator, all I am getting at is an economic question. It is a matter of weight and calculations of prices, 35 percent of a man's raw——

Administrator ANDREWS. Will you continue the question and we will see how it turns out.

Mr. BERRINGER. Will you read the last answer?

(Answer read.)

Administrator ANDREWS. Are you going to rephrase the question?

Mr. BERRINGER. No; I am going to let it stand just as it is. I have only two more short ones.

By Mr. BERRINGER:

Q. Would or would not you say that the figure of 10 percent or less, insofar as weight or supply of raw material is concerned, that it would have a slight price effect, talking about 10 percent now, I am not talking about 35?

A. Certainly. My view is that the whole transportation factor and the cost of milling cotton has a rather slight effect, that even the maximum differences which have been alleged are extremely slight when figured as a percentage of the wholesale value of the goods, and that if you take 10 percent of the shipments that would be still more slight.

Q. I am talking about the weight as to a market factor. In other words, we will say we have got eleven million bales of Government cotton today. If we only had one million one hundred thousand, which would be a tenth, that would be a much less factor than eleven million bales hanging over the market. I am talking about market weight.

A. Yes; I agree with you on that.

Mr. BERRINGER. That is all, then.

Mr. McLAURINE. Administrator Andrews, if I may, I would like to ask a question.

Administrator ANDREWS. W. M. McLaurine.

Cross-examination by Mr. McLAURINE:

Q. There are just two words in this law, "substantial unemployment." I want to know because we are preparing our case on substantial unemployment. I want to know what substantial unemployment is, and I want a good definition.

Mr. PITTS. Mr. Administrator, that is a question of law which Mr. Tolles does not profess to be an expert on although he may be an expert on other matters.

Administrator ANDREWS. I am afraid, sir, that that may be a question that the courts will have to decide, being a question of law.

Mr. McLAURINE. It looks to me like we are trying a case in the air here.

Mr. TAYLOR. I want to interpose this observation in regard to Mr. McLaurine's question. Mr. Tolles has testified that there would not be appreciable unemployment and he also stated that appreciable meant about the same thing as substantial as the word was used in the Act. Unless he has in mind some standard, it is difficult to know just how he arrived at his conclusion. In other words, unless he knows what appreciable unemployment is, how can he tell whether we have got it or whether we haven't.

Mr. PITTS. I say there, Mr. Administrator, that Mr. McLaurine's question was directed to the interpretation of the statute. Mr. Tolles did make such remarks as Mr. Taylor has said and has given figures showing the extent of the unemployment. Now, his own testimony as to what is appreciable or substantial might well be directed to the amount of unemployment which he has said might or might not occur. That is a

different question from the interpretation of the statute, however.

Administrator ANDREWS. I asked Mr. Taylor if he did not fully question Mr. Tolles on this point, what constitutes substantial unemployment on this point, during the cross-examination by Mr. Taylor yesterday.

Mr. MCLAURINE. I can't get an answer.

Administrator ANDREWS. I don't think so, that being a question that Mr. Tolles, not being a lawyer or judge, could be expected to answer.

Mr. MCLAURINE. I am going to ask a second question. If I am ruled out, it is all right. I am going to make a hypothetical case because there have been so many hypothetical statements made here. Three hundred thousand spindles of textiles and about five thousand workers, just suppose that this law should put out of existence those three hundred thousand spindles of textiles and those five thousand workers and they should be absorbed in North Carolina, Georgia, and Alabama, would that be substantial unemployment?

Administrator ANDREWS. I think that is a question that has been asked before but I will ask the witness to answer it, yes.

The WITNESS. Obviously, on your assumptions that the workers displaced in one place are taken up in another place would not be substantial unemployment in the industry as a whole. As an economist, I must add that if such displacement were extremely severe, the temporary disorganizing effects of such displacement might temporarily create in the industry as a whole what I would call substantial unemployment as an indirect result of the displacing effect.

In other words, a very sudden and drastic change might well result in a situation in which the mills able to take up the production and add the employees would not take up that production as rapidly as the displaced

mills threw employees out of work, and in such a case, should it occur, there might be substantial unemployment temporarily in the industry as a whole.

I have given my own view that this is not one of those cases.

Mr. McLAURINE. I am not a lawyer, I may make a fool statement. At least a hundred little sections throughout the South in which some little town and there may be one little mill there, and the only pay roll.

Mr. PITTS. I believe this is in the nature of testimony unless there is a question.

Administrator ANDREWS. I think it is leading up to a question. Are you going to ask what is going to happen about the small mill?

Mr. McLAURINE. Yes.

Administrator ANDREWS. All right.

Would you be so kind as to restate the question?

Mr. McNULTY. Rephrase it in the form of a question will be helpful.

Mr. McLAURINE. I will make a premise and a question. I said if in the South, or in any area as far as that is concerned, there are in these isolated communities or small towns numerous little mills struggling along trying to get their feet on the ground. If this law should put them out of business, and these three hundred people or two hundred people, or one hundred people, what is going to become of them? What is going to happen?

The WITNESS. The question is, what is going to happen to those people?

Mr. McLAURINE. Yes.

The WITNESS. I could not answer that without knowing a great deal about the circumstances of those communities. It seems to me that your question almost answers itself. If you are supposing that there is no other opportunity for them and that they cannot move

and that they are thrown out of work, then obviously they are unemployed during that period, but it doesn't take an economist to answer that. An economist's job would be of determining what the factors were specifically in those communities.

Administrator ANDREWS. Any other questions?

Mr. TAYLOR. Mr. Tolles, did you succeed in getting the figures as to the number of spindles displaced since October?

The WITNESS. I did.

Mr. TAYLOR. Would you state that number?

The WITNESS. According to the Bureau of Census reports, there were in October 1938, 26,086,228 spindles in place. The report for spindles in place in May was released at ten o'clock this morning. That figure is 25,645,960. The reports which I had last night on which I made some calculations are reports for April at which time the figures for spindles in place were for the country as a whole, 25,680,020, representing a decline since October of 1.6 percent; representing in the South—I will give you the absolute figures if you wish—a decline of 0.9 percent. That is in the cotton growing states and in New England a decline of 3.6 percent over that period.

I think I should also observe that the decline in the number of active spindles is very much less, and this represents the continuation of a trend which has been going on for a considerable period, namely, the concentration of spindle activity on fewer spindles, so that the average rate of spindle activity among spindles in place is constantly increasing and was increasing before October.

It is interesting, for instance, to note that the total number of spindle-hours operated in May was considerably greater than the total number of spindle-hours

operating last October, the figures being 7,118,000,000—I will drop the odd figures—in October 1938 as against 7,575,000,000 on the last report for May.

May I also make one other comparison which I consider illuminating. This comparison I have been giving represents approximately a six months' period since the Act went into operation. If we take the comparison of the previous six months' period when there was no minimum wage law in operation, and a large part of which, before the Fair Labor Standards Act was passed, we have during the period, April 1938 to October 1938, a decline in spindles in place in the country as a whole of 453,312 in that period as against a decline of 406,208 in the period October to April. Those were the figures I had to make that comparison from.

Administrator ANDREWS. Will you pardon me, where do those figures come from?

The WITNESS. They come from a regular reporting service of the Bureau of the Census.

Administrator ANDREWS. And were released this morning, you say, at ten o'clock?

The WITNESS. Yes.

Administrator ANDREWS. Is that all, Mr. Taylor?

Mr. TAYLOR. Yes.

Administrator ANDREWS. Any other questions?

Mr. ABT. I have just one question, Mr. Tolles, yesterday I asked you for the percentage of the total textile industry as defined in Mr. Andrews' order located in the Southwest which you said you didn't have and which you said you would get for us.

The WITNESS. The percentage of establishments in the total textile industry in the states of Texas, Oklahoma, Louisiana, and Arkansas, is 1.1 percent of the establishments.

The percentage of wage earners in that area is 0.9 percent.

The percentage of the value of product is 0.84 percent.

These percentages are slightly lower than the percentages I gave yesterday for cotton alone, due to the fact that in those states I can find outside of cotton only seven establishments engaged in jute manufacture, very small establishments, which increase the number of wage earners, value of the product, and so forth, very little when the additional industries are added in, but this time I am dividing by the total for the textile industry as a whole, instead of the total for cotton. Therefore, the percentages are slightly lower when you consider the cotton textile industries as a whole.

Administrator ANDREWS. Any other question?

(No response.)

Administrator ANDREWS. Just a minute, Mr. Tolles, I think perhaps I gave the impression yesterday that Mr. Tolles would be with us in Atlanta, but I understand that he has other work to do that will probably prevent him from going there and his assistant will probably be there, and I say this so that any of you who look forward to talking to or questioning Mr. Tolles in Atlanta may have the opportunity of knowing of the change.

WILLIAM A. MOORHEAD.

Direct Examination.

By Mr. Schlezinger:

Q. Mr. Moorhead, give your name and address.

A. My name is William A. Moorhead, Grover, South Carolina. I was born and reared in South Carolina. My parents were born and reared in South Carolina. Their parents were born and reared in South Carolina, and their parents were born and bred in South Carolina, so Mr. Administrator, I consider that I am a genuine South Carolinian.

Now, I have been actively engaged in the textile manufacturing business since January 1907, continually at Grover with the exception of two months in 1908, when our mill was closed down during extremely bad market conditions. When I first went with this mill in 1907, we were a five thousand spindle yarn mill. In 1910, we enlarged to a 10,000 spindle weaving mill. In 1914, we enlarged to 14,000. In 1925, we enlarged to a 35,000 spindle mill, and in 1929, we enlarged to 89,928 spindles, 2,374 looms, and we are one of the ten largest single cotton mill units in South Carolina.

We employ approximately 900 people, ranging from 850 to 900.

Q. What is the name of the mill you represent?

A. Johanna Cotton Mill.

Q. Mr. Moorhead, can you tell us what the average hourly earnings of the employees in your mill are?

A. Hour earnings?

Q. Yes.

A. Now, yesterday I had some data drawn from last week's payroll. This is accurate, we have left off our officers in order to give you an average of just what the

employers in the mill are getting. The actual number of jobs in our mill are 814. The total payroll, weekly payroll is $12,182.75, which makes an average of $14.95 or per hour basis on forty hours of 37 cents per hour. That is on the present basis of a 25 cent minimum.

Q. You are operating at a 25 cent minimum today?

A. Yes.

Q. Have you studied the effect of a 32½ cent minimum upon your labor cost in your plant?

A. Yes, I have made a comparison of figures both as to 30 and 32½.

Q. Will you please give those?

A. Both?

Q. Yes.

A. The advance to a 30 cent minimum will bring our weekly average up $15.11 on an average of 37.7. The advance to a 32½ cent minimum will increase to $15.49 on an average of 38.7 cents per hour. That is assuming we do not make any raises above the 32½ cent minimum.

Q. Now, looking at the 32½ cent minimum, what percentage increase would that be in your total labor cost to go to a minimum of 32½ cents?

A. Do I understand total labor cost?

Q. Total labor cost.

A. To go to 32½?

Q. Yes.

A. It would be approximately 3 percent.

Q. And what percentage of the total cost of your manufacturing?

A. Which I understand includes raw material?

Q. That includes raw material.

A. That advance would be approximately 1 percent.

Q. That is 1 percent would be the increase in your total manufacturing costs?

A. That is correct.

Q. Do you believe that an increase of this amount in your total manufacturing costs would affect the sale of your products?

A. I do not.

Q. Do you care to elaborate on that?

A. I do not believe that it will increase the sale of our product or will affect the distribution of our plant to any material extent. As a matter of fact, when you attempt to analyze a 25. advance in your manufacturing cost, it is almost impossible to define it in a handkerchief or a shirt.

Q. Mr. Moorhead, are you generally familiar with the conditions in the textile industry in the south?

A. Yes, I have been actively engaged in it for 32 years.

Q. Do you have any comments that you would care to make about the effect of the establishment of a 32½ cent minimum upon the textile industry in the south?

A. My opinion is, Mr. Administrator, if you have no objection, I would like to elaborate somewhat on the general philosophy and principles of the wage hour. I was born and reared on a farm and was considered in South Carolina as the Blue Ridge of South Carolina.

Now, with the coming of the tractor, harrowing tractors and what not, literally hundreds of thousands of people have been thrown out of employment on the farm. Now, the farm is no different to every other line of activity. You take the road building, for instance, up until the middle of the 1920's, why, when we built a highway down our way, it took an army of mules and laborers, water boys, time keepers and foremen. You let us build a highway down there today and there comes some machines in there, oh, you may employ 25 people in building that highway.

Just recently, a friend of mine there in Grover visited a friend of his in South Carolina, he says, "Come out here, I want to show you my farm." Out there, he showed him acres and acres and acres of spinach. This was back in February. He says, "You see that one man running that cultivating tractor with that mechanical device on

the back." He said, "He has gathered this entire crop, while last year, I employed 275 negro women, not a one of them used this year."

He was down to see this friend of his just a week or two ago. This friend told him, "See those three fellows run that cultivating tractor." He says, "Well, I run those tractors two shifts on my farm. I have lighting arrangements on the tractor." And he says, "Those three machines there, some six men in two shifts have displaced one hundred mules on my farm and approximately 75 laborers."

Now, gentlemen, as long as we are talking textiles, I might mention this. During the 32 years that I have been in the textile business at Grover, there has been introduced in this industry one machine manned by two boys, two men. This machine does the work of what normally took forty girls to do.

Now, we have two of those machines in our plant running two shifts. There are eight employees who have displaced approximately 300 girls. In addition to that, we have a battery of five automatic spoolers, two girls for the spoolers, two shifts, that is ten and that is twenty. Those twenty girls which are displaced are doing the work of approximately 200 girls that have been required.

Now, that goes all the way down through the manufacturing plant and is more or less regrading.

Now, I just mention this. It is my philosophy and belief on this Wage and Hour business. It is perfectly sound, here we are on a perfectly sound basis by having a central control of this question. We have forty-eight states and it is impossible in my opinion to pass forty-eight uniform laws, and I think the central Government is a proper referee for these basic principles.

I would like to elaborate to this extent, that the first football game I ever saw in my life was 36 years ago. Here is a goal post and there is a goal post. Back in those days, they did not look for brain or speed, they looked for

brawn. The bigger they could get them, the better they liked them. The game was to get to the goal post, regardless. Over a period of years, that game has been refined, rules and regulations have been set up and today, there is more money being invested in stadiums and there is more interest shown in it, even in all of our high schools and so on.

Now, you buy your ticket today to a football game. You take your seat in the stadium. You see the two opposing teams come out. They have not been robbed of one ounce of initiative, not the slightest. They have simply been told, "Boys, if you play this game, you must play it according to the rules or else you will be ruled out."

Our commercial life in this country has become very complex and according to my way of thinking, business is nothing more nor less than a game, now the fundamental principles are being laid down. We are not being robbed of one bit of initiative, and I think that those basic principles are perfectly sound. I see absolutely nothing wrong with them.

Q. Mr. Moorhead, you were discussing the technological changes in the textile industry by which machines were replacing men. Do you think that the establishment of a 32½ cent rate is going to cause an increase in this change of machinery?

A. No, I do not, because an efficient management is on the lookout for efficient ways of running his business, regardless of whether this minimum is increased or left alone.

Q. In your opinion, would the establishment of a 32½ cent minimum substantially curtail employment?

A. I do not believe it will curtail it.

Q. What are your views on the effect of a 32½ cent minimum on competitive conditions in the industry, particularly with regard to the south?

A. Well, I will tell you that the worst competition we experience is not from the New England plant mills, but it is from within our own section down here. I think that to level out this feature of our manufacturing cost places the industry on a more stable basis.

Q. Mr. Moorhead, do you believe that you are in need of a differential in wages over New England mills in order to compete successfully in the textile market?

A. I'd like to,—and I, too, feel that there is no need of this wage differential,—but I am not prepared to comment with any degree of accuracy with reference to the freight differential, but if there is anything to this freight differential, which I am inclined to feel there is, I think that this freight differential in all fairness to this industry, and with the spirit of brother love, New England toward the south and the south toward New England, that this differential should be ironed out.

Q. Do you feel that you should have a minimum rate lower than 32½ cents in order to complete with the northern mills?

A. No, I wouldn't say so.

Administrator Andrews:

Any other questions?

Cross Examination.

By Mr. Abt:

Q. Mr. Moorhead, I think you testified at the present time there is a 25 cent minimum in effect at your mill?

A. That is right.

Q. Can you tell us approximately what percent of the workers employed are at the minimum?

A. About eight percent.

Q. About eight percent?

A. About eight percent.

Q. Now, prior to October 1938, were any of the workers employed in your mill earning less than 25 cents an hour?

A. Prior to October 1938?

Q. That was the date—

A. (Interposing) No, we were not to change the rate, we are already on the 25 cent minimum.

Q. Now, what percentage of the workers in your mill now, Mr. Moorhead, if you can give me the data, are earning less than 32½ cents an hour?

A. Earning less than 32½ cents, that includes the present 25, I would say that approximately 40 percent—

Q. (Interposing) Approximately 40 percent?

A. Are earning less than the 32½. In other words, that takes into consideration approximately 200 people who are right on the borderline of 32½ cents now. In other words, they are averaging,—we have a large block of employees now, on a basis of 31¼ cents per hour, which is slightly under the proposed 32½.

Q. Now, if you eliminate those employees, I think you said there were 200, approximately 200, so that if you eliminate those employees that are very close to 32½ cents, you would have about 5 percent of your employees who are markedly under 32½ cents?

A. I just stated that there were approximately 8 percent who are on a 25 cent basis, so there would be that 8 percent that would be affected, plus. Oh, I couldn't say just exactly. I would have to calculate it out.

Q. This is what I was getting at, Mr. Moorhead. You testified that a 32½-cent minimum will produce an average wage in your mill of, I think, 28.7 cents?

A. 32½, yes.

Q. Yes.

A. Will produce an average of 28.7.

Q. And that computation you made simply on the basis of the amount which will be required to raise those workers now below 32½ cents to 32½ cents?

A. That is assuming we make no differentials above 32½.

Q. Now, given the wage scale that you now have in your mill, what, if any, adjustment, above the minimum do you think will be required at the time you raised those now below the minimum to 32½ cents?

A. Well, the condition in which the industry is in today, so far as the value of our finished product is concerned, really would not justify making any differentials, but most likely there will be some differentials made.

Q. Can you give us any estimate of the extent of that differential?

A. Well, those above 32½ cents may be raised somewhere in the neighborhood of 7½ to 10 percent.

Q. And when you include that increase in your calculation, what kind of an average wage would you anticipate in your mills?

A. Well, I haven't made any figures on that and I wouldn't like to say.

Q. Your response to Mr. Schlezinger's question that in your opinion, a 32½ cent minimum would not affect your competitive position and would not substantially curtail employment in your mill, was that based upon not only the increase which would come as a direct result of the 32½ minimum, but also on the basis of increases required for workers now earning more than 32½ cents?

A. Regardless of either way, it will not affect our operation, whether you do or whether you don't.

Q. Mr. Moorhead, are you familiar with mills in the south which have a wage scale lower than that which prevails in your mill?

A. Yes, I know some mills that have lower rates than we have. I also know of some mills that have higher wage rates than we have.

Q. Referring to those that have lower rates than you have, have you any knowledge or opinion as to the rela-

tive efficiency of those lower wage mills as contrasted with your own? Are they more efficient or less efficient or is there any regulation between the efficiency of the mill and its wage scale?

A. That is a pretty hard question to answer.

Q. I am just asking to the extent that you can answer it. If you cannot, of course, you haven't knowledge to answer the question.

A. I haven't knowledge sufficient to answer that question.

Administrator Andrews:

Any other questions?

JOHN W. MANLEY.

By Mr. Pitts:

Q. Are you responding to a subpoena, Mr. Manley?

A. I am.

Q. Will you state the company again with which you are connected?

A. Sayles Finishing Plants, Incorporated, Sayles, Rhode Island.

Q. And your position in that company, Mr. Manley?

A. President.

Q. What is the nature of the business of that company?

A. Dyers, bleachers, printers, finishers, of textile fabrics, chiefly using cotton.

Q. What different types of cotton products do you dye and finish?

A. We practically embrace the whole range of cotton fabrics from wide sheetings to very fine sheer goods.

Q. How many plants are embraced in this organization?

A. We have three plants in Rhode Island and one plant in North Carolina.

Q. Will you state the number of employees that are employed in each of those?

A. Our plants in Rhode Island employ 1810 people and our plant in North Carolina employs 415 people.

Q. There are three plants in Rhode Island?

A. That is right.

Q. And would you give the break-down for those?

A. We have a plant in Sayles, Rhode Island, that does dyeing and bleaching. We have a plant in Phillipsdale, Rhode Island, that does dyeing, bleaching and printing. We also have a plant in Phillipsdale, Rhode Island, that does yarn dyeing and bleaching, and a plant in North Carolina that does bleaching and dyeing.

Q. What is the minimum wage paid in each of those plants?

A. I received this request Monday and I have made up these figures from our records. In our plant in North Carolina, we have one employee that receives 30 cents. In our yarn plant we have ten employees that receive a minimum of 33 cents. In our other plants we have thirty-seven employees that receive a minimum of 35 cents, making a total of forty-eight out of the total of 2,225.

Q. There are forty-eight that receive less than 35 cents, as I understand it?

A. That receive 35 cents or less.

Q. Or less?

A. That is right.

Q. Could you tell us with respect to the different types of dyeing and finishing that you do the ratio of the labor costs to the total manufacturing costs?

A. That varies slightly in the different plants. In our Saylesville plant the ratio of labor cost to total cost is 52 percent. In our Phillipsdale plant, handling, dyeing, and printing and finishing of fabrics, 46 percent. In our yarn plant in Phillipsdale, Rhode Island, 40 percent. In our North Carolina plant, 45 percent.

Q. What is the average hourly earnings embracing your Rhode Island plants, taking them as a unit?

A. I haven't got those figures.

Q. You have the average hourly earnings of all of your employees?

A. No, I have not.

Q. You do not. Could you tell us the extent to which the establishment of the 32½ cents minimum will increase the ratio of labor cost to manufacturing costs?

A. Well, as we are practically above the 32½ cents it would not increase it.

Q. For the same reason I suppose you will conclude that there will be no increase in the cost of the finished goods after bleaching and dyeing? That the price that you charge for that will not be increased as a result of 32½ cents, or is that true?

A. Well, you see our costs are naturally figured on what our rates are, and our rates, as you can see from what I have said, are above the 32½ cents minimum. Therefore our costs wouldn't be increased if that 32½ cents minimum was established.

Q. Do you pay the prevailing wage rate in this industry?

A. Yes.

Q. You are not above or below the rates that are paid by your competitors?

A. I believe that, as I say, we paid the average rates. I think we probably pay a little bit above the market in our localities.

Q. Well, what conclusion would you come to with respect to the dyeing and finishing industry as a whole if 32½ cents is established as a minimum wage?

A. In what respect?

Q. Would it curtail employment in the dyeing and finishing industry.

A. No, I do not believe it would.

Q. Would it affect the economic and competitive conditions in that industry?

A. This industry is suffering terribly from competition. It has affected prices. Prices are made apparently regardless of cost. Prices at which goods are taken are generally below cost as shown by the statements of all the different finishing plants. Consequently, I believe that anything that would focus attention on costs would be a helpful thing for this industry to see if thereby prices could not be made which would be above cost.

Q. Well, do you think that the establishment of 32½ cents will have any adverse effect on these conditions?

A. In my opinion it will not.

Q. The most it will do is to focus attention upon the item of cost in the dyeing and finishing industry?

A. That is right.

Administrator Andrews:
Any other questions?

Mr. Wyzanski:
Just a few.

Cross Examination.

By Mr. Wyzanski:

Q. What percentage of your employees are south of the Mason-Dixon Line?

A. I didn't get that.

Q. What percentage of your employees are south of the Mason-Dixon Line?

A. Well, the percentage of 415 to 2225. It is above a quarter.

Q. And you favor the Administrator issuing an order establishing a minimum wage rate of 32½ cents?

A. In my opinion it would be helpful to this industry.

Q. Thank you.

Cross Examination.

By Mr. Taylor:

Q. I have only one question. Mr. Manley, I wonder whether you would subscribe to this statement that the labor employed in any dye house must be technically skilled, generally adept and imbued with a sense of great responsibility because of the delicacy of the work and the great damage that might result through ineptitude or carelessness?

A. I subscribe to that.

WALTER A. GRIFFIN.

Direct Examination.

By Mr. Wyzanski:

Q. Will you give your full name and official title?

A. Walter A. Griffin, Mayor of Lawrence, Massachusetts.

I have come down in support of the majority report of the Committee for a 32-1/2-cent minimum wage in the textile industry. I believe that is a step in the right direction in correcting the conditions we find have existed in Massachusetts, particularly.

In the City I represent, Lawrence, where we formerly had a great many cotton plants, we now have none. We are now principally a woolen and worsted center, where we employ 28,000 people. When I read that the proposed order will include cloths having a partial wool content, of course such cloths will be in direct competition with the Lawrence mills.

We are threatened with the loss of a rayon mill that employs over 800 people. We believe the setting of a minimum wage that is half-way decent--in other words, while it won't entirely correct the matter, it will do a great deal to stabilize the industry as far as Lawrence is concerned.

The industrial cities of Massachusetts have been hit hard, economically, for the reason so many of our plants have left Massachusetts and gone to other areas, principally on account of wage differentials.

Speaking as Mayor of Lawrence, and having headaches over taxes, I might say that of the twenty cities with a tax rate over $40.00, ten are in Massachusetts, principally the industrial areas; and the principal reason for the loss of business is that differential.

When that situation was partially corrected during the NRA, it brought about much better conditions in our industrial plants.

I have come down as a representative of the people to let this Committee know we feel up there they are making a step in the right direction. Unless something is done, I am afraid we people in New England will suffer terribly. I don't think it is a question of sectionalism, but something must be done to protect the industry itself.

I was pleased to hear the witness from South Carolina say this morning that a plant that cannot operate efficiently after the Government does its part should be out of business. All we ask for in Massachusetts is to have fair competitive conditions with every other part of the industry.

RUSSELL T. FISHER, called as a witness on behalf of the National Association of Cotton Manufacturers, was duly sworn and testified as follows:

Direct Examination.

By Mr. Wyzanski:

Q. Give your full name.

A. Russell T. Fisher.

Q. What is your occupation, Mr. Fisher?

A. I am President of the National Association of Cotton Manufacturers.

Q. Where is the main office of the Association?

A. 80 Federal Street, Boston, Massachusetts.

Q. Have you prepared a statement?

A. I have.

Q. Do you want to give that statement?

A. I do.

Mr. Administrator, I might preface my remarks by saying I will refer to exhibits attached to my prepared statement. We have supplied a number of copies for distribution, so I believe the exhibits can be followed without being read in the record.

Mr. Wyzanski:

If the Administrator wishes, at the conclusion of his statement I will formally move that the exhibits be made a part of the record. The exhibits clearly state their sources.

Administrator Andrews:

And everybody has a clear opportunity to examine the exhibits?

Mr. Wyzanski:

Yes, everybody who wants a copy.

Administrator Andrews:

All right.

By Mr. Wyzanski:

Q. You may proceed with your statement.

A. I am here today as President of The National Association of Cotton Manufacturers to testify in favor of the Majority Report of Industry Committee No. 1, and to give further evidence in support of the majority's recommendation of a 32-1/2-cent minimum hourly wage rate for employees in the textile industry.

At the outset I shall make clear exactly whom I represent and what my qualifications as a witness are. Then I propose to give evidence showing that Industry Committee No. 1 was correct in determining that there should be no classification or differential within the textile industry. And finally I propose to give evidence showing that the Committee was correct in determining that a

minimum wage of 32-½ cents per hour carries out the policy of the Fair Labor Standards Act, is economically feasible, and—having due regard to economic and competitive conditions—will not substantially curtail employment in the industry.

I am speaking as the representative of the National Association of Cotton Manufacturers, and also of a number of mills not members of the Association, on whose behalf I am authorized to appear. I am attaching to this statement, as Exhibit No. 1, a list of all these mills, members of the Association and non-members.

The National Association of Cotton Manufacturers is a voluntary trade association comprising mills manufacturing either fine combed yarns, fine combed yarn fabrics, combed yarn fancy fabrics, woven rayon or rayon-and-cotton fabrics, or specialties such as bed sheets, towels, blankets and bed-spreads. At the hearings before the Industry Committee, the National Association joined in the brief filed by the Cotton-Textile Institute, which is referred to in the reports of both the majority and minority of the Committee. The member mills are located in the six New England States and in New York State. The membership represents 49 corporations with 65 mills. On the basis of spindles in place, the member mills have more than one-quarter of the total number of spindles in the entire cotton industry. These mills employ approximately 85,000 wage earners at an annual wage in excess of $74,000,000.

Our Association was one of the three proponents of the Cotton Textile Code under the NRA.

Turning from the Association to the non-member mills which I also represent, there are 23 of these mills, all located in the New England States and in New Jersey. They employ approximately 10,000 wage earners. The combined mills for whom I speak, including members of the Association and non-members, comprise about 80 per cent of the mills in the North and the East, and to-

gether employ about 95,000 wage earners, or a quarter of the total wage earners in the entire cotton industry.

In my testimony I shall cover, in general, the principal points which support the recommendation of the Industry Committee.

At the conclusion of my testimony a number of witnesses also appearing on behalf of the Association and the other mills represented by me, will testify in detail to some points which I have covered in a general way. These witnesses are qualified, because of their experience and training, to speak as experts on the particular points they will cover. We have intentionally limited the number of these witnesses, believing that mere repetition through a long array of witnesses would add nothing to our case.

At the outset, I should perhaps state my own qualifications to testify with respect to the cotton industry. I was graduated from the Lowell Textile Institute with a Degree of Bachelor of Textile Engineering; spent approximately four years in the Manufacturing and Wholesale Department of Marshall Field & Company as assistant to the Department Manager; and thereafter, during the War, was detailed from the Army to the Bureau of Standards to assist in the development of aircraft and other necessary military fabrics. At the close of the War I continued at the Bureau as Assistant Chief of the Textile Division, and had particular charge of the standardization of fabric specifications for the United States Government. From the Bureau of Standards I went to the National Association of Cotton Manufacturers, of which I was for many years Secretary, and of which I have been President since 1936. In my capacities as officer of the Association I have spent a great deal of time working on problems in the member mills involving a wide variety of manufacturing processes; and have become familiar with more general questions connected with the industry, including the statistical and economic aspects.

With a technical background, I have naturally been interested in the research development programs of our members and of the industry, and I have served for several years as Chairman of the Light and Medium Woven Cotton Fabrics Sub-committee of the Textile Committee of the American Society for Testing Materials.

I am a member of the Textile Division, American Society of Mechanical Engineers, the Quartermaster Association, and the Committee on Industrial Cooperation, Engineering Societies of New England. I have served on many committees working in conjunction with representatives of the Federal Government and the industry. I have contributed various articles to trade magazines and wrote the article dealing with cotton manufacturing in the United States for the latest edition of the Encyclopedia Britannica.

Before discussing the central question of classification, a question which is presented by Section 8 (c) of the statute, I wish to state that the Association and the mills which I represent are fully satisfied that the definition of the textile industry given in the proposed order properly includes not only cotton, but silk, rayon, flax, jute and certain products which have a partial wool content. This was the position clearly stated before the Industry Committee in the brief filed by Dr. Claudius T. Murchison on behalf of the several branches of the Cotton Textile industry, the Rayon Weaving industry, the Silk Woven Fabrics industry, and the Throwing and Finishing industries. An extract from this brief is attached to this statement as Exhibit No. 2. The witnesses who have preceded me, particularly Dr. Tolles, have testified in detail with respect to the definition of the industry, and I shall not attempt to cover their ground again.

I perhaps also ought to say by way of general comment that the traditional relationship between wages in cotton and wages in other textile products justified the Committee in concluding that any minimum rate which can economically and competitively be borne by cotton

manufacturers can clearly be borne by processors of silk, rayon, flax, jute and part-wool products.

I turn now to the question of classification. No serious suggestion has been made that the textile industry should be divided on an occupational or job basis and, in view of administrative difficulties and competitive inequalities, no serious suggestion is made of a different classification for urban and rural areas, or large and small cities. The only important question which is presented is whether the textile industry should be divided into territorial classifications, one for the North and another for the South.

At the outset it should be emphasized that the Fair Labor Standards Act itself specifies, in Section 8 (c), that no classification "shall be fixed solely on a regional basis". But some persons apparently believe that there are such differences, not purely geographical in character, between establishments operating north of the Mason and Dixon Line and east of the Ohio River (hereinafter called northern establishments), and establishments operating either south of the Mason and Dixon Line or west of the Ohio River (hereinafter called southern establishments), as to warrant separating them into two classes. It is my purpose to consider whether such a territorial classification should be created in connection with the proposed order for the textile industry.

In considering a possible classification which sets the South apart from the North, I should first emphasize the point that such a classification is not specifically recommended either by the majority of Industry Committee No. 1 or the minority of that Committee. Moreover, no one who appeared before that Committee formally moved for the consideration of any such demarcation. The only motion made to the Committee with respect to a regional classification was made by representatives of certain southwestern states—that is to say, representatives of Arkansas, Oklahoma and Texas, and also a representative of Mississippi. It is important to observe that only one of

the members of the Industry Committee voted in favor of that motion. Finally, and it would be difficult to overemphasize this point, I respectfully direct the Administrator's attention to the brief filed in January, 1939, by Dr. Claudius T. Murchison, President of the Cotton-Textile Institute, representing virtually all the important establishments of the North and South in the cotton industry. Dr. Murchison makes it clear that all the people for whom he was speaking—which means virtually all the industry—were, as recently as five months ago, entirely opposed to any regional classification. He said, at page 66 of the brief filed by the Cotton-Textile Institute:

"As an industry, we are opposed to the establishment of such classifications. We believe that the Act will be successful to the degree that its application is made uniform and simple."

That is the end of that particular quote. Quoting from another part he said:

"We believe the administrative and enforcement problems arising from such classifications can be avoided and the purposes of the Act achieved if the minimum wage is considered with due regard to present standards and is made uniform for all the mills of the industry."

Although the majority and minority of the Committee and the Cotton-Textile Institute have all opposed classification by a division of the North from the South, the question may technically be still open, and I therefore propose to testify why I believe that the Committee's recommendations that there should be no territorial classification under Section 8 (c) are sound. I propose to deal in detail with the three factors enumerated in Section 8 (c), as well as other relevant factors.

(1) The first enumerated factor to which the statute directs attention is:

"Competitive conditions as affected by transportation, living and production costs."

(a) Transportation costs.

This element will be covered in detail by five expert witnesses who will testify later in the week, namely, Mr. James P. Harrington of the New England Freight Association; Mr. M. L. Hatch, Traffic Manager of the National Association of Cotton Manufacturers; Mr. Harold D. Arnold, Traffic Manager of the Fall River Chamber of Commerce and of the Textile Traffic Association, Providence; Mr. A. H. Ferguson, Manager of the Traffic Department of the New Bedford Board of Commerce; and Mr. James McCann, Manager of the Transportation Department of the Associated Industries of Massachusetts. They will show that in respect to the transportation of raw cotton from the place of production to the mill, and of finished goods from the mill to the point of consumption, there is no differential in cost giving the North a competitve advantage. I shall not attempt to cover this question except to say that the problem of transportation costs of cotton fabrics was the subject of a complete study by the Interstate Commerce Commission from 1933 to 1935, resulting in a decision and order rendered November 21, 1935, known as I&S 3636. That Interstate Commerce Commission decision and order, which must furnish the background for any consideration of the problem, established a tariff which so balances advantages to the South in some areas against advantages to the North in other areas as to produce substantial equality.

(b) Cost of living.

The second element affecting competitive conditions between the North and the South to be taken into account is cost of living. Of course, it must be admitted that some of the items which go to make up the cost of living are not necessary to the same degree in the South as in the North, and that there is, therefore, some difference in the total cost. But although it is often stated, as the minority of the Committee states, that obviously expenditures for food, shelter, fuel and clothing are less in a warm climate than in a cold climate, the resulting difference in total living costs is not nearly so great as is popularly conceived. This is shown by the study of comparative living costs made by four separate agencies—the recently completed studies of living in five small northern and five small southern cities, made by the Bureau of Labor Statistics; the cost of living study made by the Works Progress Administration in collaboration with the Bureau of Labor Statistics; the independent study made by the National Industrial Conference Board in March, 1937; and the study prepared by the Research Division of the American Federation of Labor. These studies—two made by the Government agencies and two by non-Government agencies—all agree in showing that the total cost of living between the North and South amounts at the very most to not more than 4 per cent. These conclusions are further substantiated by the fact that prices on staple articles of clothing and furnishings, and staple articles of food sold by organizations doing a national mail order and chain-store business are approximately the same in the North as in the South. I make this statement on the basis of my personal examination of catalogues of mail order houses, such as Sears, Roebuck and Company, and of material furnished me by the National Association of Food Chains.

Of course there is no merit in the suggestion that different standards or levels of living in different areas should be considered. The question is not whether one area can and does have a lower standard than another area. The fundamental policy of the Act is that the minimum standard of living should be the same everywhere throughout the country, and the only relevant consideration is what it would cost to maintain that same minimum standard in all sections.

Similarly, the suggestion by the minority of the Committee that in determining the relative cost of living there should be taken into account the benefits furnished to southern workers in the form of housing and shelter, is beside the point. The Act, in Section 3 (m), defines wages as including the reasonable cost to the employer of furnishing lodging and, to the extent that it is furnished, its cost is deductible from the minimum wage which must be paid.

(c) Production costs.

The third factor affecting competitive conditions which we must consider is difference in cost of production.

Production costs may roughly be segregated into three major divisions: (1) Labor; (2) Raw material; and (3) Overhead. In tables annexed to this report as Exhibits 3 and 4, respectively, I have shown the percentage of each of these items to total cost of a Print Cloth, which represents one of the largest single items of manufactured goods in the industry, and three Combed Yarn Fabrics. Incidentally, Mr. Administrator, I find from the 1937 Census that Combed Yarn Fabrics account for one-third of total production in the industry.

The first of these three items—labor costs—we do not need to discuss here because the very question at issue is whether there should be a difference in labor costs, and presumably in requiring a consideration of cost

of production on the question of regional classification, the Act does not intend that the existing differences in wages paid should be taken into account. It may, however, be material to consider under this heading, relative efficiency of labor in the two regions. As will be shown in detail by other witnesses who follow me, notably Mr. Dwight Billings, Mr. Paul Crocker and Mr. Samuel Powel, there is absolutely no difference in the efficiency of labor in the South as compared with that in the North.

The second item is cost of raw material. In general, cotton costs the northern mill 25 to 75 points more than the southern mill. This point will be fully covered by Messrs. Billings and Crocker and is substantiated by a letter from Charles Storrow & Company, which I am offering as Exhibit No. 5.

The third factor is overhead. This point will also be considered in further detail by Messrs. Billings and Crocker.

Some overhead costs, such as machinery, for example, are entirely equal in both the North and South, but others are much lower in the South. Mill building costs in general average about 20 per cent lower in the South, as is shown by the letter from Charles T. Main, Inc., Engineers, submitted as Exhibit No. 6. The cost of power and fuel is also materially lower in the South; and, of course, on account of the milder climate in the South the amount of power or fuel required for heating a mill is less than in the North.

To sum up the results of the consideration of the three factors of transportation, living and production costs, as affecting competitive conditions between the North and South, I am of the opinion that there is a slight differential in favor of the South in transportation costs of raw cotton from the point of production to the mill, and that there is no differential in favor of either region in transporting the finished product from the mill to the point of consumption. Moreover, the differences that do exist are as

great between various points within a region as they are between regions. Although there is some difference between the two regions in the cost of living, the popular conception that it is great is erroneous, and the differences amount at the most to not more than 4 per cent. On balance, production costs are in general slightly lower in the South than in the North. From this analysis, I conclude that so far as the three items of cost listed in the first enumerated factor are concerned, there is no basis for a lower wage differential in favor of the South.

(2) The second enumerated factor to which the statute directs attention is:

"The wages established for work of like or comparable character by collective labor agreements negotiated between employers and employees by representatives of their own choosing."

In the textile industry there are two labor organizations, national in their scope. One is the United Textile Workers, affiliated with the American Federation of Labor (commonly referred to as the UTW of the AF of L); and the other is the Textile Workers Union of America, affiliated with the Congress of Industrial Organizations (commonly referred to until recently as the TWOC, and now known as the TWUA of the CIO). In addition, there is a group of independent craft unions in New Bedford, Massachusetts, operating jointly as the New Bedford Textile Council, which has a collective labor agreement with about a dozen New Bedford mills, covering by far the greater number of textile operatives in New Bedford.

Q. I am going to interrupt you there, Mr. Fisher. Apparently, from testimony given this morning, there is also the same arrangement in Fall River. Are you aware of that?

A. I knew there was an organization in Fall River, but I did not know it was as comprehensive in its coverage.

So far as I am aware, there are few, if any, other labor organizations having collective labor agreements which affect more than one employer in the textile industry.

The wage rates under collective labor agreements made by the UTW and the TWUA are not generally available to the public. However, we know from statements made in the hearings before the Industry Committee by representatives of the UTW and the TWUA that they favor a uniform rate North and South, and I suppose we may infer therefrom that there is not a well-established differential in the collective labor agreements which these organizations have hitherto concluded, and which they desire to safeguard.

As to the labor agreement in New Bedford and the rates established thereby, Mr. Fred W. Steele, General Manager of Pierce Brothers, Ltd., who is to follow me, can testify in greater detail and with more expert familiarity than I, and so I shall leave that topic to him.

Q. The labor agreement to which you refer is Committee's Exhibit No. 21 introduced by Mr. Batty this morning?

A. That is right.

Q. Thank you.

A. (3) The third enumerated factor to which the statute directs attention is:

"The wages paid for work of like or comparable character by employers who voluntarily maintain minimum wage standards in the industry."

Before I give evidence with respect to this provision of the statute, perhaps I ought to confess that I am not entirely certain just what the statutory language means. It is my understanding that in this statutory provision Congress intended to direct attention to situations where employers recognized some standard outside their own

plant as being an appropriate minimum wage standard, or where employers recognized some arbitrary figure as being a level below which they would under no circumstances reduce wages.

So far as I am aware, no employer in the industry has ever announced an arbitrary figure below which he would not allow wages in his plant to sink. But in the North it is a well-established practice for the large employers to follow one another rather closely as to the minimum rate below which no one of the employers will allow the rates paid his employees to go. Customarily, the employers in New Bedford set the minimum rate which the rest of the industry voluntarily follows, but this custom is not invariable and it has happened as recently as a year and a half ago that wages were raised first by the Maine mills and subsequently followed within a week or two by every employer of any size in the northern area. During the last five years the average minimum wages voluntarily maintained by these northern manufacturers have fluctuated, but they have never been below 31.9 cents per hour.

So far as I am aware, among southern employers there is no similar practice of voluntarily maintaining minmum wage standards. Employers in one southern state vary not only from employers in another southern state, but also among themselves. In short, there is less uniformity in the minimum in the South.

In addition to the three enumerated factors to which Congress pointed in the Wage and Hour Act, it has directed the Industry Committee, and likewise the Administrator, to consider "other relevant factors" in determining whether there should be a classification within an industry and a differential established on the basis of such classification. A number of relevant factors have been cited in the reports filed by the majority and the minority of the Industry Committee. In respect to some of these cited factors, and with respect to certain other

factors, I should like to comment briefly in order to enable the Administrator better to determine whether in fact there are such differences between the North and the South as to justify separate classification, and as to justify a differential in favor of one area over the other.

First. It is certainly true that the work-loads or tasks assigned to operatives in the northern mills are no greater than the work-loads or tasks assigned to operatives in the southern mills. That this is so will be brought out in greater detail by two witnesses who will follow me. Mr. Crocker of the Pepperell Manufacturing Company and Mr. Billings of the Pacific Mills will both speak for companies that have establishments in both the South and the North, and they will say with respect to their mills—what I say with respect to the situation is general—that work-loads in the South are at least as heavy as work-loads in the North. Indeed, technical experts have informed me that work-loads are larger in the South than in the North. It is my experience that textile engineering services which give technical advice to mills in both areas, commonly find that a larger work-load is the practice in their southern plants, and I have yet to encounter a situation in which an engineering service has reported that the work-loads in the South are commonly lower than those in the North.

Second. There seems to be a suggestion in the Report of the minority of Industry Committee No. 1 that whatever may be the wage rate situation North and South, the South affords more steady work and therefore gives higher annual earnings, or comparatively higher annual earnings, than the North. This suggestion is entirely without foundation. Indeed, it can be readily shown that the fact is to the contrary. In the 1937 Census it appears that when the average wage rate in the North was 48.9 cents per hour, the annual earnings of a northern textile worker averaged $873.00. In the same year, when the average rate in the South was 38.1 cents, the average annual earn-

ings was $702.00. These figures are fully set out in a table which I submit as Exhibit No. 7.

Q. Will you tell the Administrator why you picked the 1937 Census as an example?

A. I picked the 1937 Census as the last available figures from the Bureau of the Census.

Q. Do you believe the 1937 figures are typical of the normal figures in the industry?

A. They will not vary a great deal from census year to census year.

Q. You did not pick 1937 as an exceptional year?

A. No, sir. I took the last figures available.

Thus it appears that, in fact, employment in the North was sufficiently steady to afford substantially higher earnings to the average northern worker than were afforded during the same year to the average southern worker.

Third. In comparing conditions in the North and in the South, it is important to remember that northern establishments operate under the restrictions imposed by advanced State labor legislation. Thus, for example, in Massachusetts there are rigid laws with respect to the employment of women and minors, closing hours, compulsory meal periods, and the regulation of factory appliances. On this point Mr. James T. Moriarty, Commissioner of Labor and Industries in Massachusetts, who will follow me, will testify in greater detail.

Q. Did you hear the testimony given by Mr. Tone this morning?

A. I did.

Q. Does the testimony of Mr. Tone further corroborate what you have said in your third point?

A. So far as he went.

Fourth. The North is handicapped not only by more restrictive labor legislation, but also by a more rigidly enforced system of legal holidays. In most northern states, in addition to Sundays, at least nine holidays are observed and enforced during the year. In the South it is common for textile mills to operate every day in the year except Sundays and four legal holidays—July Fourth, Labor Day, Thanksgiving and Christmas. In this connection I might say that collective labor agreements negotiated by the TWUA and the UTW, so far as they have been published, indicate that this limited schedule of holidays is followed in the South even in areas where the workers are completely unionized.

Fifth. The mills in the South have been earning substantially higher returns upon their capital than the mills in the North. That this is the case has been elaborately and conclusively proved by a survey made by the Federal Trade Commission in 1934 and 1935. I offer as Exhibit No. 8 a summary of that survey and I may, without pausing over details, briefly summarize the conclusions of the Federal Trade Commission as follows: During the period from January, 1933, to August, 1934, the northern spindle earned 97 cents, while the southern spindle earned $5.09.

Sixth. Not only has the South, in the past, received a higher rate of return upon its investment, but apparently investors anticipate that in the future the South will receive a higher rate of return upon its investment, for today southern mills' stocks sell at a considerable premium over northern mills' stocks, as shown by a table setting forth mill stock quotations as of June 12, 1939, which I submit as Exhibit No. 9. There, again, June 12th is the last day we could select before the preparation of the statement.

Seventh. Another important factor which ought to be borne in mind by the Administrator in reaching his con-

clusion is that regardless of what minimum rate is set in the textile industry, undoubtedly the North will continue to pay a greater amount for its labor than the South. I say this because the North will have a larger percentage of its workers in the brackets above the minimum, and that to those workers in the higher brackets it will pay higher wages. That this will be the case is foretold by our experience under the NRA Cotton Textile Code. Although nominally the difference between the South and the North under the NRA Cotton Textile Code was 2-½ cents per hour, in fact, as a result of the larger percentage of employees in the North who were put in the higher brackets and as a further result of the greater differential in the higher brackets, the North paid on the average 6.4 cents per hour more to its operatives than the South did.

On the basis of my analysis of the three enumerated factors to which Congress has directed attention, and of the seven miscellaneous factors as to which I have testified, and of many other relevant factors which I have had in mind but upon which I have not expanded, I am of the opinion that the absence of classifications in the textile industry "will not give a competitive advantage to any group in the industry" (see Section 8 (c) (2) and "will not substantially curtail employment" in any group in the industry (see Section 8 (c) (1)).

Indeed, it is probable that despite the fact that no differential in favor of the South is set up by the Administrator, a differential in labor cost will continue to exist in favor of that region. That is to say, the high wages which have been paid in the North (as is shown by Bulletin 663 of the Bureau of Labor Statistics and as to which I shall have something more to say later) will continue to create a competitive advantage in the South.

Q. Did you hear Mr. Tolles's testimony with reference to the relative advantage the South will have even if the 32-½-cent minimum is put in effect?

A. I did.

Q. Do you agree with his conclusion that the South will still have a relative advantage if the 32½-cent minimum is put in effect?

A. I do.

It is my firm conclusion that for the Wage and Hour Division of the United States Department of Labor to create any classification which would add to the differential already enjoyed by the South, would be completely contrary to the policy which Congress has declared is to be the guide in interpreting the Federal Fair Labor Standards Act. Congress, in Section 2 (a) of the Act, has pointed out that among its objectives are the removal of "unfair methods of competition in commerce" and interference with the "orderly and fair marketing of goods in commerce". These objectives cannot be achieved if one territorial division of an industry is, by low wage standards, to gain competitive advantage or to disturb orderly and fair marketing.

Having dealt with the issue of the division of the industry into classifications under Section 8 (c) of the Fair Labor Standards Act, and having expressed my opinion that Industry Committee No. 1 properly concluded that there should be no classification by regional areas, by occupations, or otherwise, I now address myself to the other main issue in this case: That is, the issue under Section 8 (b) of the Act, which is whether the recommended rate of 32-½ cents, "having due regard to economic and competitive conditions will . . . substantially curtail employment in the industry".

On this issue, as on the first issue, I am in agreement with the Majority Report filed by Industry Committee No. 1.

I am of opinion that the proposed 32-½-cent rate, in the language of Section 8 (a), is "economically feasible" and, in the language of Section 8 (b), "having due regard to economic and competitive conditions, will not substantially curtail employment in the industry".

In approaching this problem, I want to make explicit three underlying principles which are sometimes overlooked:

First, the issue now before the Administrator does not embrace the entire economic and competitive position of the textile industry. Congress has confined the field of investigation more narrowly. It has focused administrative attention on the question whether the proposed wage rate order will substantially curtail employment, and Congress has admonished the administrative agencies to remember that that question cannot be answered except in the light of certain economic and competitive conditions. Congress, it seems to me, intended the Industry Committee and the Administrator merely to consider such economic and competitive factors as are relevant in determining whether the higher wage rate will substantially curtail employment in the industry. Congress did not intend to have either the Committee or the Administrator make a broad survey of every economic and competitive factor regardless of its direct relation to wage rates.

Second, and even more important, the issue now before the Administrator is not what is the effect of the Fair Labor Standards Act as a whole on the curtailment of employment. Whether wisely or not—and I may add I think wisely—Congress has already determined that it is desirable and feasible to have a minimum wage of at least 25 cents per hour until October 24, 1939, and of at least 30 cents per hour thereafter. Congress has left to be determined only the narrow issue whether an increase of the minimum from a 25-cent base before October 24,

1939 and a 30-cent base thereafter to a 32-½-cent base will or will not substantially curtail employment. It is this raise of 7½ cents until October 24, 1939, and 2½ cents thereafter that the Committee and the Administrator are to consider. It is not necessary to go back to the situation as it was prior to the effective impact of the Wage and Hour Act and measure the effect of a raise from those lower levels, which have historical interest but no present validity. In so far as preceding witnesses in supporting the recommended 32-½-cent rate have chosen to go back to those pre-statutory levels as a basis for their testimony, they have proved more than they were required to prove.

Third, the issue now before the Administrator is not whether some particular employees will, as a result of this proposed order, lose employment. Of course, that will happen. Among the necessary consequences of a minimum wage order are the elimination of some employers who cannot meet the standard found to be economically and socially desirable; and the elimination of the particular jobs held by those employed by such employers. In short, every increase in standards eliminates some marginal jobs. But it also creates new job opportunities with employers who can meet the new standard. If, on balance, new jobs substantially equal old jobs, it cannot be said that the new standard substantially curtails employment in the industry; and this is particularly true when the new jobs will not be created in an area different from the area where the old jobs existed.

Q. Mr. Fisher, during the testimony today you probably have heard questions from various attorneys as to what the witness who was at that time testifying meant by the phrase "substantially curtailing employment". Did you hear such questions?

A. I did.

Q. When you use the phrase "substantially curtailing employment", are you using it in the sense which appears in this third paragraph?

A. I am.

With these three underlying principles in mind, I shall now turn to consider the question whether the 32-½-cent rate will substantially curtail employment; and in this consideration I propose to proceed as follows: First, I shall survey the rates which have been paid in the cotton textile industry in the past. Next, I shall review the extent to which wages will have to be increased by employers, if the proposed order is to be put into effect; how such increases will affect costs; and the ability of the textile industry to withstand these increases. Then I shall examine the effect of these increases upon volume and employment. Thereafter I shall turn to a consideration of the effect of the increase in costs upon marginal mills, and the extent to which the elimination of marginal mills will cause a reduction of employment or a shift in employment centers in the textile industry. I shall then review some miscellaneous points; and then summarize my conclusions.

(1) Rates which have been paid in the cotton textile industry in the past.

A great deal of evidence has already been introduced, not only before the Industry Committee but also in these hearings, as to average and as to minimum wage rates paid in cotton textile mills. In particular, reference has been made to Bureau of Labor Statistics Bulletin No. 663, based on a sampling study made of 89,216 wage earners employed in August, 1938. This Bulletin shows that at that time the average hourly wage in the North was 44.6 cents, and in the South, 36.5 cents.

The Association which I represent made a more comprehensive study of northern mills in February, 1938, six months earlier than the Bureau's study of August, 1938.

Q. Was the study to which you are now referring, made by the Association, made under your supervision and direction?

A. It was.

Allowing for the facts that our study covered more employees in the North than the Bureau study did—44,660 wage earners in the North as against 22,282; that we made the survey when production was at a much lower level—5,588,526,000 hours worked in February as against 7,374,791,000 spindle hours worked in August; and that the proportion of weaving—in which work higher wages are paid—was higher in August than in February, our figures furnish a striking parallel for the figures of the Bureau. We found an average hourly wage in the North of 43.6 cents. What is more significant is that our breakdown of wages (which is set forth in Exhibit No. 10) shows that out of a total of 44,660 wage earners, only 741, or 1.6 per cent, received less than a minimum of 32-½ cents per hour; and that these 741 averaged 31.9 cents, or only the infinitesimal margin of six-tenths of a cent less than the minimum of 32-½ cents in the proposed order.

(2) The extent to which wages will have to be increased by employers if the proposed wage order is put into effect.

From the Association survey which I have just referred to, it becomes plain that if the proposed order goes into effect the amount by which wages must be raised in the North is negligible.

This is not true of the South, which presents a less clear picture. There are apparently no available studies

of what is today the average wage in the South. The most recent study, Bulletin 663 of the Bureau of Labor Statistics, was made prior to the effective date of the Fair Labor Standards Act—that is, prior to the statutory 25 cents an hour minimum rate. Starting from the Bulletin study, we therefore get a severely distorted view of how much wages will have to be raised in the South above what they now are to comply with the proposed order.

In the absence of a satisfactory base from which to calculate, it will be more helpful if I consider first not how much the wage rate will be lifted in the South by the proposed order, but rather how high the average in the South will be under the order.

We know (from a study made by the Bureau of Labor Statistics in August 1934 when the NRA Cotton Textile Code had been in force for one year) that a 30-cent minimum in the South produced in that area an average wage of 35 cents, or 16.6 per cent above the minimum. If, in adjusting wages to a 32-½-cent minimum, the South were to keep the same ratio in the differentials above the minimum, then it is my conclusion that the average would be 37.86 cents. The approximate correctness of my conclusion is corroborated by independent sources. Thus, Mr. Earl Stall of the F. W. Poe Manufacturing Company, Greenville, South Carolina, testified before Subcommittee "D" of Industry Committee No. 1 that a minimum rate of 32-½ cents per hour would make the average wage in his mills 38.75 cents. Moreover, the testimony given before the Industry Committee on December 14, 1938 by Dr. C. T. Murchison, President of the Cotton-Textile Institute, would indicate that a 32-½-cent rate would increase the average southern wage 6.6 per cent above that of August, 1938 (that is, prior to the effective date of the Act) to approximately 39 cents. Finally, the majority report, (basing its estimate on a study by the Economic Section of the Wage and Hour Division of the Department of Labor, dated February 23, 1939), concluded that with a

32-½-cent rate the southern average wage would be 38.3 cents an hour.

(3) How such increases in wages as result from the proposed order will affect the cost to the mill of its products.

In talking about increases in mill costs, I must confess at the outset that my remarks will necessarily not be stamped with absolute preciseness. In the beginning I had better make explicit some of the difficulties which exist.

Of course, it is plain that the cost to the mill of its products will not vary in direct ratio to the wages received by labor. Labor cost is only one item in total cost. Overhead and cotton are other important items. Moreover, labor cost is by no means a uniform percentage of all products. I have already offered Exhibit No. 3 to show that on June 7, 1939, in a typical mill, labor cost was about 22 per cent of the cost of an 80 Square, 4.00 yard Print Cloth, which is typical of one of the largest items of production. Whereas on Print Cloths the labor item commonly goes up to 29 per cent, on a Combed Yarn Fabric it may run as high as 49 per cent. (See Exhibit No. 4.) Fabrics in which the labor cost accounts for from 35 to 49 per cent are usually made from combed yarns, and are ordinarily produced in the higher wage mills where the minimum hourly rate is already approximately 32-½ cents an hour, so that the high percentage of labor cost in such cloth is not very significant in determining the increase in total manufacturing costs of the low wage mills.

Not only does the percentage of labor cost vary according to the product, but also on the same type of product it varies from mill to mill. This is shown by Cotton Cloth Report No. 112 of the United States Tariff Commission, which, in studying Print Cloths in twenty southern mills, found that even within this restricted group manu-

facturing costs varied from 2.39 cents per yard to 3.26 cents per yard, or more than 36 per cent from the low to the high. (See Exhibit No. 11.)

Having explained why my data on cost is necessarily lacking in absolute precision, I nonetheless feel that I can come to a generalized conclusion which will have some validity.

If—as estimated by Dr. Murchison in his testimony to which I have already referred—a wage minimum of 32-½ cents will raise labor costs 6.6 per cent in the South, the cost of labor in the Print Cloth to which I referred in Exhibit No. 3 will rise from 6.04 cents per pound to 6.44 cents per pound, which will increase the price of the fabric by 40/100ths of a cent.

Of course the North will not face any material increase in its labor cost, since it is already above the proposed minimum in most mills.

(4) The ability of the textile industry to withstand these increases.

The increase in cost which the southern mills will face is by no means unprecedented.

Attention has already been drawn by the Industry Committee to the fact that under NRA the average wage in the South was increased, not 6.6 per cent as here proposed, but 80 per cent; that is, from an average of 19.4 cents to 35 cents.

Moreover—and this is a point which cannot be stressed too much—the proposed change in labor cost is not nearly as important a factor in price as the change in raw cotton costs which constantly occurs. In an ordinary year, the swing in cotton price may be 8 or 10 times as great as the proposed increase in cost due to raising the minimum labor wage from 25 cents to 32-½ cents per hour. This is vividly illustrated by Exhibit No. 12, which shows monthly cotton prices from August, 1936, to date, and re-

veals a fluctuation in the price of cotton from 7.71 cents to 15.25 cents, or almost 100 per cent.

Certainly an industry that can continue in the face of such fluctuations in the price of its raw material will not be seriously disrupted by the proposed change in its labor minimum.

(5) The effect of the increase in mill costs and selling prices upon volume, and hence ultimately upon employment.

I have frankly admitted that in many cases the proposed minimum of 32-½ cents for labor will increase costs, and this in turn will, I assume, in some cases increase mill selling prices. Mr. Crocker, who follows me, will discuss just how much these prices must be advanced on different products if they are to cover the new costs. Assuming that there is an advance, I now propose to turn to consider whether increased prices will reduce volume, and hence employment.

We have all heard the orthodox economists' argument that increased prices necessarily meet consumer resistance, and in the long run reduce volume. Whatever may be said for the soundness of this theory as applied to other industries, the testimony before the Industry Committee makes it clear that the opinion of those best qualified to judge is virtually unanimous that low prices in the textile industry do not make for high volume. On the contrary, again and again it was testified that the largest volume was achieved when prices were moderate, neither excessively high nor too low, as at present; and that what counted above all else in securing large volume was not a low price for goods, but confidence, engendered through stability of prices.

Without taking time to read into this record all the evidence taken before the Industry Committee, I respectfully direct the Administrator's attention to the hearings held

by Subcommittee "D" of the Textile Committee, March 1 and 2, 1939, and to the testimony of Mr. H. P. Claussen of Bemis Brothers Bag Company, Boston, Massachusetts; Mr. Donald B. Tansill, Vice President in Charge of Sales for the Pepperell Manufacturing Company, New York City; Mr. Herbert O. Bergdahl, Associated Merchandise Corporation, New York City; Mr. P. J. Burns, Merchandising Manager of the W. T. Grant Company, New York City; Mr. J. P. Fox, President of the Blue-Bell Globe Manufacturing Company, Greensboro, North Carolina. These witness clearly show that the volume of cotton goods sold will be materially affected by such minor changes in price as the proposed wage order may cause.

(6) The effect of the increase in mill costs upon marginal mills.

Even though the industry as a whole can readily stand an order establishing a minimum wage rate of 32½ cents, it may be said that some marginal mills cannot survive in the face of such an order.

I admit that this is so. But I add—and this is often overlooked—that this fact cannot be treated in isolation. It must be viewed in the light of the general future of the industry. I am of the opinion, and I believe most other qualified persons are of the opinion, that in the immediate future we are likely to see a very substantial liquidation of cotton textile mills, since, although the number of spindles in place has dropped from 38 million in 1924 to 25,680,000 today, there is still more productive machinery than the demand for cotton textile goods requires. Without trying to be too precise, I am inclined to estimate the probable needed capacity of the textile industry at only 22 million spindles, which is fully 3-½ million less than we now have in place in this country. While others may differ with me on detail, I was interested to note that confirmation of my opinion that we still have excess

spindles is to be found in the 1938 Annual Report of Russell H. Leonard, Treasurer of the Pepperell Manufacturing Company, one of the largest cotton mills in the country. He said that, "It may be necessary to discard a few millions more of spindles before the productive capacity is reasonably in line with demand, but the period is approaching when this desirable result will have been accomplished."

If Mr. Leonard and the majority of experts are correct in the opinion that some mills are soon to be forced out of business for lack of demand, then there is less reason to regard the present elimination of marginal mills as a curtailment of employment effectuated by this proposed order.

What this proposed order does in eliminating marginal mills is merely to apply a selective process to an inevitable end. And the selection is being made on the basis which Congress, in its declaration of policy in this Act, has adopted. Congress has declared its desire "to eliminate the conditions" which are "used to spread and perpetuate" detrimental labor conditions and which interfere "with the orderly and fair marketing of goods in commerce". (Section 2.)

(7) The extent to which the elimination of marginal mills will cause a reduction of employment or a shift in employment centers in the textile industry.

It has been suggested that if marginal mills are eliminated, available work will go to mills where modern machinery has been introduced and thus employment will be substantially curtailed. This argument strikes me as unsound. My own experience, and that of textile engineers whom I know, leads me to believe that modern machinery in a textile mill does not in fact mean substantially fewer employees. Ordinarily, new textile machinery does not substantially reduce the total number of employees, but

it does make it possible to get the same work done with fewer highly skilled employees and more unskilled workers than were employed with the old machines.

An illustration of this fact is found in the statement of Robert R. West, President and Treasurer of the Riverside and Dan River Cotton Mills, Danville, Virginia, at a hearing on the Ellenbogen Bill to stabilize labor conditions in the textile industry, before a subcommittee of the Committee on Labor, House of Representatives, on January 31, 1936. He stated, on page 448, that whenever it was necessary to make a change in work in his mill because of new machinery, new methods or new processes, no workers were ever permanently displaced, but jobs were provided for them elsewhere.

Q. Have you heard from Mr. Emery and others who operate mills in the North and in the South that what Mr. West said is true of their mills?

A. I have.

It also has been suggested that if marginal mills are eliminated, the consequence will be that the textile industry will be shifted from the South to the North again. There are many reasons why this reversion will not occur, but there is one reason that deserves emphasis here. The proposed 32-½-cent order will by no means equalize labor costs throughout the country. The North will continue to pay textile labor much more than the South, since most of the northern mills will have a minimum above 32-½ cents and will be paying considerably more than southern mills to workers above the minimum. Therefore, on a straight labor cost basis it will not be profitable to go from the South back to the North.

Proof of this can be found in the NRA experience. Under the Cotton Textile Code the minimum hourly rate was 32-½ cents in the North and 30 cents in the South, or a differential of 2-½ cents. Yet at the end of the first

year of NRA, the Department of Labor found that in fact the average wage was 6.4 cents per hour higher in the North. To state the same findings in another way, the Department of Labor found that although it was expected that the textile workers in the South would average about $1.00 a week less than those in the North, in fact they averaged $2.56 a week less. This finding is set forth in tables submitted as Exhibits No. 13 and No. 14.

(8) Miscellaneous points.

In trying to estimate the effect of the proposed order upon employment, I have tried to cover such economic and competitive conditions as seemed to me to be both relevant and capable of appraisal. There is, of course, room for difference of opinion as to whether there are other factors which are at once relevant and measurable. But I think that I have omitted no important factor, unless it be the factor of foreign competition; and as to that I want to say just a word.

The chief competition which the cotton textile industry has faced from abroad in recent years is the competition of Japan. That competition is at present not as serious a threat as it has been in the past. For this there are two reasons: First, there is the agreement voluntarily entered into by Japanese interests, which provides that exports to this country will be limited to 200 million yards for the two-year period 1939-40. Second, and even more significant, is the fact that so long as Japan continues her present campaign of expansion into China, she will be unable to put her full national energies and resources into textile competition.

Of course countries other than Japan, notably the United Kingdom, are potential competitors of ours. And it is quite possible that in its long range effects the program of the reciprocal tariff agreement may seriously change the prospects of the textile industry in this country. If it does (and as yet it is too early to tell) then

the remedy, it seems to me, is to change the tariff program so that American textile employers and employees may be protected from unfair competition abroad as well as at home.

To conclude:

Now, a final word to sumarize the position taken by the mills which I represent.

On the basis of the evidence given before the Industry Committee, and of the evidence so far given before you, as well as on the basis of our own knowledge and experience, we are of the opinion that, in the words of Section 8 (a), it is "economically feasible without substantially curtailing employment" to put into effect at once the recommendation of Industry Committee No. 1 favoring a minimum hourly wage rate of 32-½ cents an hour for textiles.

Although some of the mills which I represent would have been glad to have had a higher minimum rate, on the whole, those I represent appreciate the fact that there are imponderable factors which warrant the Wage and Hour Administration in proceeding with caution; and that it may be wiser to follow the suggestion of the Industry Committee to start with a 32-½-cent order, and reopen the order for further consideration after some months of experience under it. As the saying goes, "Leg over leg, the dog got to Dover."

Mr. Wyzanski:

Mr. Administrator, I offer in evidence Exhibits 1 to 14, inclusive, which were attached to the statement Mr. Fisher just read.

Administrator Andrews:

They will be received.

(National Association of Cotton Manufacturers EXHIBITS 1 to 14, inclusive, Witness Fisher, received in evidence.)

By Mr. Wyzanski:

Q. Have you had any word from the American Cotton Waste Exchange as to the position that Association takes in regard to the 32-½-cent proposed minimum wage?

A. I have.

Q. Have you a copy of that statement before you?

A. I have it before me now.

Q. Will you read that statement?

A. (Reading):

"American Cotton Waste Exchange,
222 Summer Street,
Boston, Massachusetts,

June 19, 1939.

"Mr. Elmer F. Andrews, Administrator,
Wages & Hour Division, Department of Labor,
Washington, D. C.

Dear Sir:

"At a meeeting of the Board of Directors of the American Cotton Waste Exchange held in Boston on June 19, 1939, the Directors voted in favor of the 32-½-cent minimum wage recommended by Industry Committee #1 for the Textile Industry, being of the opinion that this wage rate will not cause unemployment in our branch of the industry.

Respectfully yours,
H. D. LANE,
Secretary of the Board."

Mr. Wyzanski:

I offer that letter in evidence as our Exhibit No. 15.

(National Association of Cotton Manufacturers EXHIBIT 15, Witness Fisher, received in evidence.)

Mr. Wyzanski:

That is all.

TESTIMONY OF HYMAN L. BATTLE—(T. 409)

The witness testified as follows:

Direct examination by Mr. PITTS:

Q. Will you give your full name and address to the reporter?

A. Hyman L. Battle, Treasurer and Manager of the Rocky Mount Mills, Rocky Mount, North Carolina.

Q. Have you prepared a statement, Mr. Battle?

A. Yes.

Q. Will you read that statement, please?

A. (Reading): I am Hyman L. Battle, Treasurer and Manager of the Rocky Mount Mills of Rocky Mount, North

Carolina, the oldest cotton mill in the South, established in 1818 and in continuous operation for 121 years with the exception of two years after the plant was burned by northern troops during the Civil War.

I am appearing as an interested person within the meaning of Section 8, paragraph "D," of the Fair Labor Standards Act of 1938 in favor of the early adoption of the 32½ cent per hour minimum wage as recommended by Industry Committee No. 1, appointed under this Act.

Our plant has 43,000 spindles and manufactures carded cotton yarns from fours to thirties. This product is sold to approximately 75 customers located in the north and middle west. The yarn is used in the manufacture of automobile and furniture upholstery, elastic webbing, carpets, bags, tape, fish nets, draperies, trimmings, lace, towels, filter cloth, wire covering, casket cloth, dress goods, belting, baseballs, bedspreads, socks, and many other articles.

The plant I represent employs 63 percent men, or 310, and 37 percent women, or 189, making a total of 499. No person under 18 is employed under any circumstances.

The Cotton Yarn Division of the Textile Industry is highly competitive as there are something like 150 mills making yarns and every pound of yarn that we make is sold on a competitive basis. We have no connections with any weaving plant and must meet the general market on every sale we make. We have no advantage over mills located further south on freight rates to the middle west and only a slight advantage on rates to the north which we believe is more than offset by the ability of those mills to buy their cotton more cheaply.

Our selling price range on yarns at the present time is from 19¢ for our coarser counts to 27¢ for the finer counts.

The minimum wage now being paid in our plant is 31½¢ per hour, this wage being paid only to sweepers and cotton opener men, numbering 21.

We have no employees in the mill getting less than 31½¢ per hour except two learners, or two-fifths of 1 percent of the total employed, who are paid 25¢ per hour during the 5 or 6 weeks generally required to learn, and 7 negro laborers on your yard force, or one and two-fifths percent of the total employed who receive 27½¢ per hour.

A minimum wage of 30¢ per hour would increase our pay roll $11.00 per week, or $550.00 per year. A minimum wage of 32½¢ would increase our pay roll $28.40 per week, or $1,420.00. These figures are based on paying learners the minimum wage.

It would not be necessary, in my opinion, to have to increase our present rates on jobs which are now in excess of the 32½¢ minimum, as the differential between classes of labor would still range from 32½¢ to 50¢ per hour.

The ratio of labor cost to total cost of production, including cotton at 10¢ per pound on our average yarn count is approximately 22½%.

If the minimum wage is set at 32½¢, our total labor cost would be increased approximately one-third of 1 percent, and the total manufacturing cost including cotton would be increased 7/100 of 1 percent; and this small percentage would not necessitate increasing the sale price of our yarn.

I can positively state that the establishment of the 32½¢ per hour minimum would not curtail employment in our plant.

It may be suggested that our plant has an advantage due to owning a hydroelectric plant. Our water power is property acquired by purchase several generations ago and, subsequently, improved by the investment of capital. It is natural that we should realize some return from the ownership of that property, but the production of power thereform is not sufficient to materially affect our selling price.

For the last period our power, after taking credit for the current sold to the City of Rocky Mount, from which we purchase what we cannot generate, cost us 5⁶⁄₁₀ mills per kw.-hr. The amount required if we had no water power would cost us 7⁸⁄₁₀ mills per kw.-hr. if bought from the Carolina Power and Light Company.

In terms of cost per pound of yarn produced, we save only one-quarter of one cent per pound by reason of our water-power plant.

Upon the contention that the adoption of a 32½¢ minimum will force all mills to modernize with consequent increase of technological unemployment, our own experience may throw some light.

We have spent a substantial sum of money on plant improvement and a 15 percent enlargement of the plant in the last six years, and our plant can be considered as a fairly modern one. The cost of this program has been financed entirely from depreciation earned and plant earnings during the six-year period that we have been paying higher wages.

Prior to the enactment of the N. R. A. in 1933, our average wage paid in the mill was around 17¢ per hour, exclusive of foremen, and we operated fifty-five hours per week. We employed around 300 people with a total weekly pay roll of $2,800.00. We now employ 499 people at an average of 37.1¢ per hour, exclusive of foremen, with a weekly pay roll of $7,500.00.

We are naturally producing a larger poundage of yarn now than we did in 1933, but our unit cost is lower, the quality is better and we are able to dispose of our production by reason of these facts.

We house in our village about 65 percent of the people employed in our plant, the others either owning their own homes or renting houses throughout Rocky Mount. A survey of the 145 families in our village shows that 42% own automobiles, 65 percent own electric refrigerators, and 85 percent own radios. Practically all of these have been purchased since 1933, when the N. R. A. brought higher wages to our employees.

The statement is frequently heard that a 32½¢ minimum wage will put the smaller concerns in the south out of business. I am also president of a very small braiding plant, the Rocky Mount Cord Company, of Rocky Mount, North Carolina. This little concern was started in March 1937 on what might be truly called a "shoestring." We have grown slowly and now employ thirty people, none getting below 27½¢ per hour and with an average rate of 34.9¢ per hour. We manufacture sash cord, clothesline, Mason's line, Venetian cord, pull socket cord and other braided lines of this type. This, too, is a highly competitive business and every sale must be made at the market.

Increasing our minimum wage to 32½¢ would add two percent to our total cost and we could absorb this and not have to increase our selling price.

The application of the 32½¢ minimum would not create any unemployment in this plant.

The foregoing statements are intended only as a factual analysis of the effect of a 32½¢ minimum upon the cost of production and selling price of the commodities manufactured in the two plants with which I am connected.

I have refrained from controversial statements as to the humanitarian and sociological factors involved, although I am deeply interested in them.

Competition in prices sustained by reductions in the scale of living of textile employees in the south has been deeply disruptive of the industry in the past, and the improved scale of living in recent years has obviously benefited business on a national scale as shown by purchase by mill employees of the products of industry from which poverty had previously excluded them.

The slight advance involved in a 32½¢ minimum will further improve the standard of living and, in my opinion, can be absorbed by the industry without serious dislocations.

Administrator ANDREWS. Any questions?

By Mr. PITTS:

Q. Are you authorized to represent other mills from North Carolina, Mr. Battle?

A. I wrote to 18 mills. They are friends of mine that I thought might be, that might favor the 32½-cent minimum wage.

Q. And what were the results of your inquiries?

A. I had no answer from 3; 2 out of the 18 were opposed to it; 1 was not opposed. Out of the remaining 12, five of them were in favor of the 32½-cent minimum, but did not want to come out publicly and state their position.

The other 7 I have telegrams authorizing me to say that they wish for the 32½-cent minimum.

Q. Will you read those telegrams, Mr. Battle?

A. "Raleigh, North Carolina. Satisfactory quote me as favoring 32½-cent minimum. C. S. Tatum." Pilot Mills, Raleigh, North Carolina, 12,000 spindles.

Q. By the way, the statistics you have regarding the mills which are represented there, they are taken from what source?

A. Taken from the Blue Book, the book that gives the size and what all the mills make.

"Silercity, North Carolina, Telegram. You can quote me as favoring 32½-cent minimum at public hearing in Washington tomorrow. J. C. Gregson." Hadley-Peoples Manufacturing Company, Siler City, North Carolina.

"Highpoint, North Carolina. You may quote me in favor of 32½-cent minimum wage. O. M. Bundy." Oakdale Cotton Mill, Jamestown, North Carolina, 7,800 spindles.

Sidney Blumenthal & Co., Inc., Cavomount Division, Rocky Mount, North Carolina, H. H. Schell, President. They have 132 plush looms and do only weaving.

"Hope Mills, North Carolina. You may quote me as strongly favoring 32½-cent minimum at hearing Washington tomorrow. E. N. Brower." Rockfish Mills, Hope Mills, North Carolina, 25,000 spindles.

"Henderson, North Carolina. I am with you on the 32½-cent minimum and am particularly interested in a uniform rate if even higher to eliminate chiselers on labor. S. P. Cooper." Henderson, North Carolina, 101,184 spindles.

A. Y. Myers. "For the mills I represent comprising more than 200,000 spindles and employing 4,000 to 5,000 operatives, I favor a 32½-cent hourly wage as a minimum for machine operatives, and 25 cents for substandard and outside help and have so written Administrator Andrews. This telegram may be used as testimony. A. Y. Myers, Textiles Inc., Hanover Mills, Inc.

Q. May I have those telegrams?

A. That is a total of 408,124 spindles, including the mill that I represent.

Mr. PITTS. I offer in evidence as Committee's Exhibit Number 22 the material that Mr. Battle has just read.

Administrator ANDREWS. No objection, it will be received.

(Industry Committee Number 1's Exhibit Number 22, Witness Battle, received in evidence.)

By Mr. PITTS:

Q. How many of those mills that you just referred to would you class as small mills and what do you mean by "small mills?"

A. Well, I would class my mill as a small mill. We are certainly not considered as a large unit.

Of the mills I read out I would say that the Henderson Mill is a fairly large yarn mill, most of them are small mills.

Q. And your conclusion would be that the small mills of North Carolina, at least, would not suffer by the establishment of a 32½-cent minimum?

A. I don't think they would suffer; no.

Q. You mentioned the fact that you have a braid mill of your own.

A. Yes.

Q. You mentioned that the braid mill manufactured various products. Will you please repeat that?

A. Well, we make sash cord, clothesline, Mason's line, Venetian cord, pull-socket cord, and various small braided lines.

Q. Does this plant make products that are ordinarily termed "braid" in the trade?

A. It is not known as "braid"; they are braided lines. They are made on braiders, the small sash-cord size on down.

Q. And do you believe that the establishment of a 32½¢ minimum in that field of the industry will have serious repercussions upon the economic competitive conditions in that branch of the industry?

A. I do not.

Q. You sell most of your product, your yarn product, in the North and West, I believe you stated?

A. North and middle West.

Q. Do you find yourself at a competitive disadvantage with Northern mills making similar products?

A. No.

Q. Because of transportation costs?

A. There are very few yarn mills in the North that make the type of yarns that we do.

Mr. PITTS. That is all the questions I have.

Administrator ANDREWS. Any other questions?

Mr. ABT. I have a few.

Cross-examination by Mr. ABT:

Q. Mr. Battle, I think you said that prior to the inauguration of the N. R. A. Code your average wage was about 17 cents an hour?

A. Yes, sir.

Q. Did you favor the N. R. A. Code at the time it was proposed?

A. Absolutely; I have always favored any regulation that tended to help the working people of the South.

Q. And after the promulgation of the N. R. A. Code, what number did the average of your plant become?

A. The average wage went up to about 33¢ and since then a 10-percent increase, making a little over a 37-cent average.

Q. So that the N. R. A. Code caused approximately a 100-percent increase in your wage?

A. That is right.

Q. What did you find was the effect on the profitability of your mill of that 100-percent increase in your average wage?

A. I didn't get that question.

Q. What, if any, was the effect on your profits of that 100-percent increase in your average wage? In other words, was your mill more profitable before the enactment of the N. R. A. and the promulgation of the Code than thereafter?

A. Well, our profits were considerably better after that, but, of course, business prior to 1933, general business, was bad; but we made more profit since 1933 than we did prior to that.

Q. At least, it has proved then that the 100-percent increase in your average wage didn't lessen it or have an adverse effect on the profitability of your mill?

A. No.

Q. Now, I think you said that your competition in a sale of carded yarn comes largely from the North instead of the South?

A. That is true.

Q. Are you familiar with the general level of wages in carded yarn mills in the South as compared with your own?

A. Well, of course, I can't say definitely just what they are, I can guess at it.

Q. Let me ask this then, in your opinion are you a high-wage mill or a low-wage mill, or an average-wage mill in the carded yarn field?

A. Well, I am not particularly proud of the wages we are paying, but I would say we are a high-wage yarn mill.

Q. Now, in terms of the efficiency of your mill, would you say that you had a highly efficient mill or a mill of average efficiency or a mill of low efficiency?

A. Well, I hope it is better than average.

Q. In your opinion, are those mills, whose average wage is lower than yours, mills of low efficiency compared to yours or of high efficiency compared to yours, or do you find no correlation between wage levels and mill efficiency?

A. Well, it has been my experience if you pay your labor a little better wage, you get a little better efficiency. It is hard for me to say just how efficient my competitors are because I don't have access to that company's——

Q. (Interposing.) Well, let me put it this way, if you can answer: In your opinion, do those mills in which a low level of wages prevail have such a low level of wages to make up for lack of efficiency by and large, or does that low wage simply increase—mean an increase in the profitability of that mill?

What I am trying to get is an expression of opinion, Mr. Battle, and if you have no opinion, I am not suggesting that you have one——

A. (Interposing.) As to the effect on efficiency of low wages, is that it?

Q. No; I would put it the other way. I think that you stated in your opinion if you pay workers a higher wage you got a more efficient performance of their job from them.

That wasn't quite what I was getting at. I am asking you this: Whether in your opinion those mills which have low wages have such low wages to compensate for their lack of efficiency, the efficiency of their plant, or whether that low wage simply means an added profit to that mill.

A. I think it offsets the lack of efficiency more than it increases the profits.

Q. Now, I think you referred previously, to the question of technological changes which are going on in the cotton industry. In your opinion will the establish-

ment of a 32½-cent minimum materially increase the rate of technological change that is going on in the industry?

A. I think it will probably increase the rate of modernization. I disagree with the opposition when they say that it is going to make all mills modernize or go out of business.

Q. You want to elaborate on that further?

A. The danger, as I see it, in an industry that is so highly competitive as the textile industry, and particularly in carded yarns, of course, I know more about that than the weaving end of it, is that if a small minority keep wages down that there is a danger of their driving those of us who want to pay higher wages down to their level or either go out of business; and even if regulation for the 32½-cent minimum is going to, say put 5 percent of the plants entirely out of business, it seems to me it would be better to do that than to drive the other 95 percent of the people down to their level of wages.

Q. You feel any pressure upon your wage level, driving it downward, from competition with low-wage mills at the present time?

A. The last six months it has been rather painful, competing in the summer with the wages that are being paid.

Q. Going back to the NRA period, pre-NRA period, you had a 17-cent average wage at that time. How did that compare with the general average of wages of mills in the South at that time?

A. It was probably higher than our competitors were paying. In one instance we were competing with a man that got out as low 4⅓ cents an hour in 1932.

Q. As an average or a minimum?

A. That is what he paid everybody in the plant.

Q. So that your increase of 100 percent in average wage was, perhaps, somewhat less than the average increase required by the N. R. A.?

A. Slightly less, yes, among the yarn mills, now.

Q. I am speaking exclusively of the yarn mills. Now, what is your observation as to the general profitability of the yarn industry after the promulgation of the Code as compared to its profitability prior to the promulgation of the Code?

Was your experience unique in finding larger profits after the promulgation of the Code, or was that the general experience of the yarn industry?

A. I think that that was probably the general experience of the yarn mills, but that profitable era didn't last.

In other words, that hasn't gone on up to the present time, but I think, immediately after the N. R. A. was adopted, I think all of the yarn mills made money. Of course, as I say, we had business conditions that were a great deal better than just immediately prior to the N. R. A.

Q. Would you say, then, that the 100 percent increase which you experienced and the more than 100 percent increase experienced by the yarn industry generally had an adverse effect on profits or a favorable effect on profits or a negligible effect on profits?

A. Well, I think it was a favorable effect on profits.

Mr. ABT. Thank you, Mr. Battle.

Administrator ANDREWS. Any other questions?

Cross-examination by Mr. TAYLOR:

Q. I believe you stated that your mill has 43,000 spindles?

A. That is right.

Q. In size, is this very much above the average for carded yarn mills in North Carolina?

A. Well, Mr. Taylor, there are quite a few larger than we are, and there are quite a few smaller than we are. My guess would be that the average size of the yarn mills in North Carolina—I am just merely guessing, Mr. McLaurine might know better than I. 15,000 would be the average size.

Q. The average would be 15,000 and yours is 43,000?

A. That is right.

Q. I believe you testified, Mr. Battle, that your equipment is rather modern?

A. Yes, sir.

Q. Are you familiar with conditions generally in the textile industry, particularly in connection with equipment in North Carolina?

A. I couldn't qualify as an expert on it, but I have got, I think I have got a fairly good idea about it.

Q. Well, what is your idea?

A. Well, I think that we have got some mills in North Carolina just as modern as you can find anywhere. We have got a few very small plants that all the machinery is antiquated in. We have a large number of plants that are doing there and have been doing for the last year, and that is to try and modernize its equipment.

Q. Would you say then that there are a number of small or weak or marginal mills in North Carolina?

A. Well, I think there are a few marginal mills in the state, yes.

Q. Mr. Battle, do you think that mills without modern equipment and without their own source of power supply would have difficulties in meeting your competition on a higher wage scale?

A. I didn't quite get that question?

Q. I say, do you think that mills in North Carolina or elsewhere, without modern equipment and with-

out—I believe you testified that you had your own power plant?

A. I qualified that by explaining what our net saving was, and it was not a big factor in our cost.

Q. Do you think that mills without that modern equipment and without their own source of power, for whatever it may be worth, would have difficulty competing with you in case the minimum wage was raised?

A. I don't think so, Mr. Taylor.

Q. Will you state again the profit record that you gave for your mills?

A. I gave no profit record, sir.

Q. I beg your pardon. I understood that you did give some figures.

A. I said that we had paid for the modernization of our equipment out of depreciation earned and profits there, the profits of the mill.

Q. Is it your impression, Mr. Battle, that the textile industry in North Carolina and elsewhere in the South is a profitable industry at the present time?

A. Well, it is as profitable as a lot of our other different industries at the present time.

Q. In your opinion, is the textile industry in North Carolina and the South as a whole making money at the present time?

A. I wouldn't think so, Mr. Taylor, but I don't think that the wage level is the cause of it.

Q. Do you think that the industry at the present time is operating at a loss?

A. Well, that is a question that I can't answer with any degree of certainty. I know what I am doing and I know what several others are doing, but you can't guess at what the whole industry is doing.

Q. I believe you stated, Mr. Battle, that you wrote a letter to certain mills in North Carolina and in response to that letter you received telegrams?

A. I first wrote the letter, and, as I said, part of them came back in favor of it and part of them came back in favor but not willing to come out in opposition to the Associations, and to be on the safe side, I wired yesterday and asked them specifically for their approval to my quoting them as being in favor of the 32½-cent minimum, and got these wires back.

Q. Do you have copies of your letter and wire that you sent to them? Yesterday?

A. Here is a copy of the wire, "Can I quote you as favoring 32½-cent minimum at public hearing tomorrow morning? Wire Western Union."

Q. Mr. Battle, do you know how many mills there are in North Carolina?

A. I don't know exactly, several hundred mills.

Q. And how many would you say were covered by this same letter, this telegram that you sent out?

A. Well, I stated, Mr. Taylor, that I only wrote to those friends of mine that I thought might favor the minimum.

Q. You did state though that it was your impression that there are several hundred mills in North Carolina. And how many mills—I understand that you didn't write all of them.

A. I wrote 18.

Q. Only a selected group of 18?

A. Yes.

Q. And how many replies did you get back?

A. I got back 15 replies.

Q. And out of that how many favored the proposed 32½-cent minimum?

A. Twelve.

Q. Mr. Battle, will you read Mr. Myer's telegram again, sir?

A. If I can get it back.

(Telegram furnished the witness.)

The WITNESS. "For the mills I represent, comprising more than 200,000 spindles and employing four to five thousand operatives; I favor a thirty two and half cent hourly wage as a minimum for machine operatives and twenty five cents for substandard and outside help and have so written Administrator Andrews. This telegram may be used as testimony."

By Mr. TAYLOR:

Q. Mr. Battle, do you regard that telegram as in support of the proposed 32½-cent uniform minimum?

A. I so regard the telegram, and I talked to Mr. Myers in Chicago last night, and he was very strongly in favor of the 32½-cent minimum. He qualifies it by saying he thinks we ought to have a substandard rate of 25¢.

Q. Would, then, you not say, sir, that he does not favor a uniform 32½-cent minimum but favors some kind of a different classification?

A. That is probably a technicality.

Q. Mr. Battle, I believe that you testified that prior to the Code your wage level—I didn't understand whether it was a minimum or the average was 17¢.

A. The average was around 17¢ prior to N. R. A.

Q. You also testified, Mr. Battle, that that was the average for the industry in that section?

A. For the cotton yarn part of the industry in that section it was, maybe a little less.

Q. Have you any facts or figures upon which you base that statement?

A. I don't have them with me, Mr. Taylor.

Q. Mr. Battle, I would like to ask you whether in your opinion such profitable operations as occurred under the N. R. A. were attributable to wage raises or were they attributable at least in part to the general atmosphere and business outlook, the feeling of people

that was created under the N. R. A. and at the present reemployment program?

A. I stated a few minutes ago that the improvement in business could not be credited to the higher wage, altogether, because there was a general pick-up in business, and, of course, there was a speculative feeling about the effects of these higher wages on business which tended to make business pretty good.

At the same time we had even a better spurt in 1927 when we didn't have any N. R. A. yarns.

Q. Did the cotton textile industry, in your opinion, Mr. Battle, demonstrate its ability to operate under the N. R. A. at a profit?

A. Well, there again, Mr. Taylor, you get back to how much of the improvement was caused by the N. R. A. and how much was caused by the general upturn of business. I am satisfied that the experience of the textile industry for five years after the N. R. A. was better than for five years before the N. R. A.

Q. How do you feel about the outlook for the industry at the present time?

A. Well, can I get back to cotton yarns? I think I know a little something about them. I think that the outlook is good and we are going to have better business on yarns.

Q. Do you anticipate any marked increase on the price of raw cotton that might interfere with that favorable development?

A. I can't see how cotton is going to advance much with as much carry-over as we have.

Q. Do you have any information as to what Congress is going to do in connection with cotton? [Laughter.]

Mr. TAYLOR. That is all.

Administrator ANDREWS. I don't think he has any information as to what the Administrator is going to do about the recommendation either.

Cross-examination by Mr. LEWIS:

Q. I would like to ask Mr. Battle one question. I understood you to say that your mill had over 40,000 spindles and that you thought the average for North Carolina was about 15,000, also that there were other mills larger than you. Of course that means a great many small mills to bring the average down that low. I just want to ask this one question.

A. I am not, as I told Mr. Taylor, I am not positive what the average is, I am just making a guess.

Q. I imagine that is your opinion?

A. I am just guessing at that.

Q. If all the mills are put on the same basis of wages as you are, you think that the small 10,000, 15,000-spindle mills can match your cost, if all of them were put on the same basis which those mills are, the more modernized mills?

A. Well, I read out several mills, Mr. Lewis. Here is one of 12,000 spindles, here is one of 7,800 spindles.

Q. Well, that doesn't answer the question.

A. I think that the 10,000-spindle mill can pay 32½-cent minimum wage on carded yarns and get along just as well.

Q. And match the costs of a highly modernized, highly efficient mill?

A. Match the total cost?

Q. Yes.

A. Well, there again——

Q. (Interposing.) Let's make it labor costs, then.

A. Well, I think with good management they can come mighty close to it if they can't match it.

Q. Nonmodernized small mills?

A. Yes.

Q. And of course you know there are very many of them?

A. Well, on the other hand, if the labor cost in the small nonmodern mill is lower than ours, we have got certain other factors of cost he doesn't take into consideration, depreciation, high salaries of executives.

Q. I am talking about labor cost. I am talking about can these little mills that are not modernized meet your competition on the same basis of wages?

A. Well, they might not meet the bare labor cost, but the total cost they would come mighty close to it.

Q. All right, that is all.

Cross-examination by Mr. BERRINGER:

Q. Mr. Battle, you have used the word "efficient" around in here in quite a general respect. You mean that you have reference to equipment there when you talk about improved efficiency and new managers. Just what kind of efficiency are you referring to?

A. I think the efficiency means that you have got to have machinery, and it has to be managed properly to be efficient. It is a combination of the two.

Q. In other words, you would probably have to displace some of the management then, is that right?

A. I don't believe I can answer that question.

Q. Is your mill owned by local people or outside capital?

A. Outside capital.

Q. You sell to general trade and have one outlet?

A. I sell to approximately 75 different customers.

Q. You use local cotton or shipped-in cotton?

A. We use, I would say, about half local cotton and half shipped-in cotton. We are having to use more and more shipped-in cotton all the time.

Q. In other words, the price of local cotton got up to the point where it is just as high as the shipped-in cotton, is that about the circumstance?

A. Well, the territory immediately around our mills is not raising anything like the cotton they used to, and

we have to have a certain grade and staple, and we can't get all of it there.

Q. Do you know who benefits as to whether the freight rate—Your mill is, we will say $1.50 a bale, that is, you and the farmer as compared to maybe the man that ships in has a freight rate of $3.00 a bale. Do you buy it f. o. b. the point? Is all your cotton bought and landed at the mill?

A. All is bought and landed at the mill.

Q. If you are buying a Midlin H cotton then—I don't know what class you use—you don't ask a man to ship it out at $1.50 freight rate point a bale as compared to $3.00, do you? Just as long as he gets it in there to you, that is all you care about?

A. He couldn't know anything about the freight rate, it is all sold on a landed basis.

Q. Landed basis, in other words, freight rates so far as you are concerned have nothing to do with it?

Administrator ANDREWS. Any other questions please?

Mr. ABT. I have one more question I would like to ask the witness.

Further cross-examination by Mr. ABT:

Q. Mr. Battle, you mentioned previously a mill which prior to the promulgation of the N. R. A. Code was paying an average hourly wage of 4⅓ cents an hour. You happen to know whether that mill is still doing business?

A. Immediately after the N. R. A. came into effect, the mill closed down, then reorganized and operated. I don't know whether it is operating now or not.

Q. For how long did it operate, do you know?

A. It operated certainly until the last six months.

Mr. ABT. Thank you.

Administrator ANDREWS. Any other qustions?

[No response.]

[Witness excused.]

SAMUEL POWEL.

Direct Examination.

By Mr. Wyzanski:

For the record, will you give your name and address?

A. My name is Samuel Powel.

I am wondering, Mr. Administrator, if you would like a copy of that.

Q. Where do you live?

A. Warwick, Rhode Island.

Q. And are you connected with a textile mill?

A. I am.

Q. What is the name of that mill?

A. Lonsdale Company.

Q. And what is your official connection?

A. I am a member of the firm of Carter Brothers, whom the stockholders allege as managing agents.

Q. Have you a mill in the South as well as a mill in the North?

A. I have.

Q. Where is that?

A. Seneca, South Carolina.

Q. Will you describe the products which are made in your northern mill and the products which are made in your southern mill in general?

A. In the East in two of the mills we make shirtings—they are plain, dobby colored yarn—all types of mechanical fabrics, airplane cloth, raincoat cloth, print cloths, dress goods fabrics, and so forth. It is a pretty wide range.

In our southern mill we confine ourselves strictly to print cloth, 68/72, 70/74, and 80 squares. I might add that we have an identical mill in the East, Hope Mill, making exactly those same fabrics.

Q. How many mills have you in all?

A. Four mills and one finishing works.

Q. And where are those four mills located, will you state again?

A. One of them is in North Smithfield, Rhode Island, The Blackstone Mill. The Berkeley Mill is at Berkeley, Rhode Island. The Lincoln Bleachery and Dye Works is at Lonsdale, Rhode Island. The Hope Mill is at Hope, Rhode Island. The Seneca Mill is at Seneca, South Carolina.

Q. Have you prepared a statement which expresses your opinion of the effect of the proposed order upon your mill?

A. I have, Mr. Attorney.

Q. Would you read that statement, please.

A. I have a lot of rather complicated figures here which—

Q. (Interposing) Let me just ask you whether you want to introduce that set of figures?

A. Well, there are certain ones I would like to introduce, Mr. Attorney, because I think it would clarify what I have to say.

The Seneca Mill has 1042 looms. The Hope Mill has 800 looms. They both make 80 squares, 70/74, 68/72's in addition the Hope Mill makes 94/64.

Seneca Mill employs 511, the Hope Mill 301, ... Mill has at present 44 hands at a minir..... Hope Mill, 36 hands. To meet a minimum of 30 cents at Seneca, we will have to increase the wages of 121 hands. To meet a 32½ cents minimum, we will have to increase 249 hands. At Hope, to meet the 30 cents minimum, we will have to increase 63 hands, and to meet the 32½ cents minimum, 97 hands.

I am going to omit the rest of the figures, unless somebody asks for them, and just give the summary. At Seneca, the necessary increase will amount to 1/43 of a

cent a yard to meet 30 cents, and for 32½ cents minimum, as near as I can figure it, it will come to 1/15 of a cent a yard on 80 squares.

At Hope the increase will amount for 30 cents to 1/27 of a cent a yard, and for 32½ cents, 1/14 of a cent a yard.

I am eliminating from my statement any discussion of the Bleachery as every employee now receives 32½ cents per hour or more. I am also eliminating all data about Berkeley and Blackstone Mills which together employ 1809 hands. Only 49 of these will be affected by the establishment of the 32½ cents minimum wage, amounting all told to $83.69 per week, which is a very small fraction of 1 percent of the pay-roll.

The present average wage per hour of a Seneca Mill employee is .3577, which is slightly below the average wage paid in southern textile mills as per United States Bulletin Number 663.

I will point out that during the year 1938, including depreciation, Lonsdale Company's Seneca Mill showed a small loss. Had the 32½ cents minimum wage been in effect with its consequent increase in cost of .000675 per yard, this loss would have been increased by less than 25 percent.

Furthermore, Lonsdale Company has run its Hope Mill for several years and expects to continue to run it even with a 32½ cents minimum wage in effect. The average labor cost per pound is at present .08752, which is above average labor cost per pound at .07937, which would be in effect at Seneca Mill after the establishment of a 32½ cents minimum wage.

In view of this, I can forsee no reason why the establishment of a 32½ cents minimum wage would cause the Lonsdale Company either to close down its Seneca Mill or move it to some other location.

In my opinion, the establishment of a 32½ cents minimum wage will not in any way curtail consumption of the products with which I am familiar,—namely, print-cloths,

shirtings, mechanical fabrics, etc. In fact, I would point out that in times past, when prices were materially higher, consumption—especially of print-cloths—has been much larger than it is at present. Therefore, since I do not believe that the establishment of a 32½ cents minimum wage will curtail consumption, I can not see how it will curtail employment in any mills with which I am familiar, nor in the industry as a whole.

Furthermore, during the past year, and longer the United States Department of Agriculture has been endeavoring to raise cotton from its present level of between eight cents and nine cents to sixteen cents. If they are successful in their efforts, it will mean an increased cost per pound of raw cotton somewhere between seven cents and eight cents. It takes between 1.15 to 1.20 pounds of raw cotton to make one pound of goods. Therefore, this increase in price for which the Department of Agriculture is working, will increase the cost of goods on an average of perhaps eight cents per pound.

On 80/80 4.00-yd goods, this is going to be an increase on the average of perhaps two cents per yard.

I have not heard any fears voiced that an increase in the price of the cotton content of goods amounting to two cents or more per yard would curtail consumption. I have shown heretofore that the increase in what I consider to be certainly not a high-cost print-cloth mill is going to be perhaps 1/15 cents per yard. I do not see any logic in the argument that the cost of material in a piece of goods can be increased by two cents or more per yard, yet not curtail consumption, while fears are expressed that an increase of 1/15 cents per yard in the labor increment will curtail consumption.

Of course, the industry needs and should expect full co-operation from the Government in preventing the inflow of foreign goods which are made under admittedly more favorable conditions than prevail in this country. This inflow naturally would be increased by any raising

of the wage scales in this country—no matter how slight—and the consequent raising of the price of American-made goods, because it will eliminate from the market, goods made in the very small number of extremely low average wage mills.

I think it is a recognized fact that the market for any product—especially in times of potential over-production—is set by the lowest cost producers in that commodity. By eliminating these few remaining abnormally low average wage mills from the competitive field, by bringing their costs up to a parity with other mills, the market should respond far more than would be warranted by the general increase in wages necessitated by a 32½ cents minimum wage.

It is for these reasons, and for other reasons stated in the majority report, that I urge the recommendations of that report be adopted.

Administrator Andrews:

Any questions?

Mr. Wyzanski:

You are here in response to a subpoena from the Administrator of the Wage and Hour?

The Witness:

That is correct.

Cross Examination.

By Mr. Abt:

Q. Mr. Powel, how long has your mill at Seneca been in operation?

A. We bought it as a going mill in 1922, I think.

Q. Now, your Seneca Mill, as I recall your testimony, makes print cloths and you likewise have a similar mill of the North making print cloths?

A. Yes.

Q. Have you any opinion as to the relative productivity of northern workers as against southern workers in your print cloth mill?

A. I can't see any difference.

Q. Now, in your Seneca Mills, Mr. Powel, prior to the NRA, do you recall what your average wage was?

A. No, sir, I do not.

LOUIS R. MORLEY.

Direct Examination.

By Mr. Wyzanski:

Q. What is your full name?

A. Louis R. Morley.

Q. And with what mill are you associated?

A. I am a secretary of the Fall River Cotton Manufacturers Association.

Q. Are you also associated with the mill?

A. No.

Q. Who was in the Fall River Cotton Manufacturers Association?

A. We have thirteen mills. Shall I name them?

Q. If you will.

A. Arkwright, Berkshire Fine Spinning Associates, Border City Manufacturing Company, Bourne Mills, Foster Spinning Company, Howard-Arthur Mills, Luther Manufacturing Company, Pepperell Manufacturing Company, Pilgrim Mills, Sagamore Manufacturing Company, Richard Borden Manufacturing Company, Shawmut Mills and the Stevens Textile & Manufacturing Company.

Q. Have you any idea approximately how many employees are employed by all those mills?

A. On two shifts, 12,000 employees.

Q. And do the mills in your group have collective bargaining arrangements with a council of employees representatives?

A. We have had collective bargaining for years. We meet you might say, regularly with the members of the different labor councils; some of them are right here in this hall today.

Q. Is the sort of collective bargaining you have in Fall River similar to that you have in New Bedford?

A. Not exactly, we have no signed agreement.

Q. Are your wages the same as those paid in New Bedford?

A. Approximately the same.

Q. Have you prepared a statement, Mr. Morley?

A. Yes, I have a short statement.

Fall River Cotton Mfrs. Association.

As Secretary of the Fall River Cotton Mfrs. Assn., I represent thirteen corporations of approximately 825,000 spindles and employing on two shifts about 12,000 operatives. I have been active in the textile business about 35 years.

Fall River originally made the large bulk of the print cloths used in this country—a number of years ago because of the inroads of other sections with lower labor costs in to this field, Fall River was forced on to other lines of fine and medium fine goods.

At the present time our mills are paying crafts a minimum of 34.41c and an average of 44.5c an hour. Since we are actually paying more than the recommended minimum it is obvious that its aceptance will in no way serve to curtail our operations. We believe it is fair to assume that the establishment of this minimum would furnish the required impetus for better business and higher prices.

I do not believe that the establishment of the 32 ½c minimum will curtail employment anywhere in the industry, furthermore we believe that such a rate would put the industry on a sounder basis and would help to weed out the inefficient mills that are forever seizing the opportunity to cut wages as an excuse for their inability to operate in a legitimate way.

I mention these matters with considerable restraint knowing the history of my city as I do. I have witnessed the destruction of an industry which had given to my city a name of world renown. Today only 14 plants operate

where 44 were once in existence. Our first mill was built in 1811 and our growth to over 4 million spindles was steady until about 1922. In the short time that has passed since then our industry has shrunk to less than one-quarter of its peak. It is a story of low wages in other areas with which we could not compete.

The Wage-Hour Law is the first ray of hope that has been extended to my city. We have no illusions about rebuilding our former greatness but we are deeply concerned with maintaining the vestiges of that textile empire. Liquidation of more textile mills is stalking my city now. We junked one mill of 50,000 spindles last year—another of 80,000 spindles two months ago and another of 33,000 spindles last week. Under the benefits of this law I believe these mills might have been saved. There is no surer method of accelerating unemployment than in liquidating mills. This sectional difference in wages has forced over 20,000 people out of textile employment in my city in the above-mentioned period. Unless this recommendation is accepted I fear there is nothing left for us but further liquidations.

PAUL E. CROCKER.

Direct Examination.

By Mr. Wyzanski:

Q. What is your full name?

A. Paul E. Crocker.

Q. Are you here in response to a subpoena from the Administrator?

A. I am.

Q. With what mill are you connected?

A. Pepperell Manufacturing Company.

Q. What relationship have you with that company?

A. I am vice president and comptroller.

Q. And where has that company mills?

A. I have a statement here that will give that information.

Q. Will you give your statement, please?

A. Pepperell Manufacturing Company own and operate a cotton mill in Lindale, Georgia, employing 2,000 persons, a cotton mill in Biddeford, Maine, employing 2,000 persons, a cotton mill and rayon weaving mill in Fall River, Massachusetts, employing 800 persons, and a bleachery in Lewiston, Maine employing 1,000 persons—a total of about 6,700 persons engaged in production.

They manufacture a wide variety of cotton fabrics—ranging in width from 28" to 108"—and include coarse and fine goods, carded and combed goods, grey goods, colored goods and finished yard goods; also, blankets, sheets, pillow cases and towels. The annual sales volume averages $30,000,000—about 70,000,000 pounds—roughly equivalent to 165,000 bales of cotton.

I am present in answer to a subpoena to testify as to whether or not the proposed uniform minimum wage of 32½ cents per hour would substantially curtail employment, and as to whether or not it would give competitive

advantage to certain mills tending to result in the transfer of production from one mill to another.

My position is Vice President and Controller of Pepperell Manufacturing Company and, as such, I am responsible for the accounting and cost records of the company. I have consulted various cost and accounting records of the company and have discussed various aspects of these questions with the proper officials.

In order to determine the probable effects of the proposed wage change, it is first necessary to ascertain its effect on the cost of cloth.

Cloth costs are composed of three major elements: raw material—that is: cotton, labor, and overhead or expense. The relation of these component items to the total cost varies from time to time. For our last operating year the aggregate mill cost of our cloth manufactured was divided approximately as follows:

Cotton	50%
Labor	32½%
Mill Expense	17½%

Thus, if the mill cost of a yard of cloth were 13c, it would represent 6½c of cotton, 4c of labor and 2½c of mill expense.

The minimum wage of 32½ cents per hour would have no effect on our plants in Maine employing 3,000 persons, because the minimum wage being currently paid is in excess of this figure. At the Fall River plant it would have a negligible effect, as only 30 persons out of 800 now receive less than 32½ cents per hour. At our Georgia plant about 450 employees out of more than 2,000 now receive less than the minimum. At our Alabama plant about one-half of the 900 employees now receive less than 32½ cents per hour. To bring the Georgia employees up to 32½ cents minimum would increase our wage bill 2.3%. To increase the Alabama employees to that minimum would increase our labor cost 4½%.

However, I do not think it fair to stop there in estimating the probable result of this change. There are various wage relationships which customarily exist above the minimum wage which reflect the differences in skill of various jobs. Mills might feel it advantageous to rearrange their wage schedules after this minimum is in force to adjust wages of certain semi-skilled and skilled employees by some further small percentage so as to recognize such differentials particularly with regard to employees now receiving 32½ cents per hour or slightly in excess of this figure. Accordingly, to be conservative in estimating the effect of the proposed wage increases on costs of cloth, I have arbitrarily doubled the direct increased cost to make allowance for possible increases in the higher brackets.

The following estimates of effect of the 32½-cent minimum on costs are based on the total indicated increases not just on the increase needed to bring all employees up to the minimum.

The Alabama plant manufactures wide sheeting, pillow tubing, jeans, pocketing, drills and shoe twills. I have computed the total effect of the 32½ cents per hour minimum as an increase in cost of approximately 1/5 cent per yard on Drills and Twills, 1/4 cent per yard on jeans and pillow tubing and 5/8 cent per yard on wide sheeting.

These twills are used in shoe linings and 1/5 cent per yard increase in cost would have a negligible effect on the cost of a pair of shoes. These Drills are used in making pocketing and 1/5 cent per yard increase in cost would have a negligible effect on the cost of a suit of clothes. Jeans are used for making pants and increase of 1/4 cent per yard in cost should not increase the cost of a pair of pants to the point of adversely affecting sales. Pillow Tubing is used to make pillow cases and an increase of 1/4 cent per yard of cost would increase the cost of pillow cases about 3/10 cent. Wide Sheeting is used to make sheets and an increase of 5/8 cent per yard in cost would be about equal to 2 cents per sheet.

The Georgia plant manufactures Canton Flannels, Chambrays, Coverts and cotton suitings. I have computed the total cost increase incidental to the 32½ cents minimum as follows: Canton Flannels Heavy Chambrays and Light Coverts about 1/7 cent per yard, Light Chambrays 1/8 cent per yard; Heavy Coverts and Suitings 1/4 cent per yard. Canton Flannels are used to make cotton gloves and increase in cost of 1/7 cent yer yard should have a negligible effect on the cost of a pair of cotton gloves. Chambrays and Light Coverts are used in the manufacture of pants. The indicated increases should not adversely affect the sales of the finished products.

In view of the fact that the mills in Massachusetts and Maine are not materially affected by the proposed minimum, I have figured no change in their costs. As a matter of fact, with insignificant exceptions, the mills in Maine and Massachusetts are now paying well over the 32½ cent minimum. For operatives actually engaged in production work, the minimum wage in Maine and Massachusetts is 34.4 cents.

The revised wages under the 32½ cents minimum in Alabama and Georgia would still average substantially lower than the present wages in Maine and Massachusetts.

The Georgia and Alabama plants buy locally the major portion of the cotton they use, thus involving a considerable saving as compared with the cost of like cotton delivered in Maine or Massachusetts. Labor, material, and other cost savings thus still show a decided cost advantage in favor of the Southern mills as against the Northern mills after making due allowance for the estimated effect of the proposed minimum wage.

The freight rate on cloth from our mills North and South to our markets are, by and large, fairly comparable, the Northern mills having some advantage East of Chicago and the Southern mills in the South and West. As a matter of fact, however, the majority of the products of our Southern mills move to points South and West and

hence these mills are in an advantageous location as distributing points.

Thus it is perfectly obvious that we would be under no pressure to transfer production from the South to the North as a result of proposed minimum wage. We, having mills in the North and South, have tried to consider this question free from sectional bias, thus evaluating the various factors strictly on their merits. It should be borne in mind, however, that these comments refer to the proposed minimum wage of 32½ cents per hour and are not intended to indicate the effect of any other minimum wage or a minimum wage not uniformly effective.

Based on the foregoing I submit that, in my opinion, there is no indicated increase in cost in the north and that the increase in cost in the South, based on a minimum of 32½ cents per hour would not decrease employment at our mills. I believe that as the minimum is to be uniform the increased cost will be reflected in the price of goods but that it will not adversely affect the sales of goods because of the comparatively unimportant effect of such increase on the cost of finished product. I have compared our sales volume over a period of the past twelve years, during which time the price of raw materials fluctuated from as low as 5 cents per pound to over 20 cents per pound and I find no evidence that the period of greatest volume coincides with the lowest price or that the period of lowest volume coincides with that of the highest price.

Mr. Wyzanski:

May I interrupt you for the moment?

Do you have an exhibit that shows that?

The Witness:

I have an exhibit which I have marked as Schedule A, which I offer to show the effect, if any, of price changes on sales volume. This shows for the past twelve years our sales volume in dollars and in pounds, the average

price which that represents, and an approximation of the price of cotton at the close of our fiscal year, each year, which is in June.

Mr. Wyzanski:
Was that schedule prepared under your direction?

The Witness:
It was.

Mr. Wyzanski:
I offer that schedule as Exhibit 19 for the National Association of Cotton Manufacturers.

(Nat'l Assn. of Cotton Mfrs. EXHIBIT 19, Witness Crocker, received in Evidence.)

As a matter of fact, prices in the past three weeks have increased approximately as much as the proposed wage change indicates and yet business is increasing.

I would like to close this statement with a comment on the Wage and Hour Law which was written by Russell H. Leonard, President and Treasurer of Pepperell Manufacturing Company about a year ago, and which appears in the Treasurer's Report to the Shareholders for the year ended June 30, 1938:

"Wages and Hours Law.

Congress enacted late in June, effective in October, a law putting a floor on wages and ceiling on hours. This law may be expected to make the road more difficult for the unregenerate employer who chisels on hours or wages, or both. While relatively few employers in the textile industry are of this type, they are sufficient in numbers to demoralize conditions of fair competition within the in-

dustry. It is to be hoped that the new law will be ably and fairly administered. We are not among those who believe such a law to be unwise, under present conditions. It constitutes, we think, a worthwhile attempt to correct certain abuses which other methods have, through the years, failed to correct. We regret that the Law did not go a step further and prohibit employment of women and minors under 18 on the so-called 'grave-yard shift' between the hours of midnight and six A. M. Such operation of machinery would seem to have no sound justification, even on economic grounds much less on social grounds."

TESTIMONY OF JAMES P. HARRINGTON—(T. 521)

The witness testified as follows:

Direct examination of Mr. WYZANSKI:

Q. Mr. Harrington, what is your full name, please?

A. My name is James P. Harrington. I am a member of the Auxiliary Committee of the New England Freight Association. That is a nonprofit organization, consisting of the rail carriers in New England territory. Our duty is to act in an advisory capacity in connection with freight-rate matters affecting the interests of the New England carriers.

Q. Will you tell the Administrator something of your personal qualifications as an expert on traffic and similar matters?

A. I deny the impeachment on expert. I have been involved in freight rate matters since 1914. I started with the Boston-Maine Railroad at that time and went to the Traffic Department of the Boston-Maine Railroad in 1922. In the period between 1922 and January 21, 1938, I was in the Traffic Department of the Boston-Maine Railroad, handling these rate matters before the Interstate Commerce Commission, before the State Commissions, and handling the adjustments between carriers and between groups of carriers. Of course, in the adjustment of rate matters, we have to consider the public. We have to consider our connecting lines. We have to consider the rail carriers in other sections of the country. It is all an interwoven proposition, of course, and then, of course, the Interstate Commerce Commission having final jurisdiction over those rates, we have to justify our rates before them when called upon.

Q. Are you familiar with the proceedings which preceded and the decision of the Interstate Commerce

Commission in I. & S. Docket 3636, reported in the 211 Volume of the I. C. C. Reports, page 692?

A. Yes; I did not testify in that case.

Q. But you have read it?

A. I worked up the Exhibits for the Northern lines in that case, and I also attended the hearings, but after the decision of the Commission came out, I was appointed a member of the New England Committee to work out the actual putting into effect of these rates. Of course, the Commission's decision ran only to maximum rates. There were a lot of situations that were involved that needed ironing out, straightening out here and there, and that was done through Committee work. We called the public in and we called the shippers in and we discussed our problems with them, and from that we worked out the actual rates which were published.

Q. Mr. Harrington, have you a copy of that Order and decision of the Interstate Commerce Commission with you?

A. Yes, sir.

Mr. WYZANSKI. I assume that it will be unnecessary to introduce that in evidence as it is an official report of the Interstate Commerce Commission, but reference may be made to it from time to time, I assume.

Administrator ANDREWS. All right.

By Mr. WYZANSKI:

Q. Have you prepared a statement on the background of that Order and the effect of the Order and other comments with reference to the subject?

A. I have, sir.

Q. Will you read that statement?

A. (Reading) The present rail rate adjustment of cotton textile products flows directly from the decision of the Interstate Commerce Commission in I. & S.

Docket 3636, 211 I. C. C. 692. Involved in this proceeding outside of the investigation by the Commission into the level of textile rates were two complaint cases filed by the North Carolina Corporation on behalf of producers in that state.

Prior to the textile case, the Atlanta Group rate to Chicago was 83¢ per 100 pounds and applied for distances from 688 miles to 888 miles. From Asheville, N. C., distance of 685 miles, a rate 9½¢ higher or 92½¢ per 100 pounds applied. From Marion, N. C., distance of 726 miles; the rate was 97½¢, 14½¢ higher than the Atlanta Group rate. This same rate applied from Selma, N. C., a distance of 889 miles. From Spartanburg, S. C., for a distance of 755 miles, the rate was 98¢, or 15¢ higher than the Atlanta Group. Fitzgerald, Ga., a distance of 919 miles from Chicago, had a rail rate of 89¢, or 6¢ over the Atlanta basis, while Roanoke, Alabama, 781 miles from Chicago, carried the Atlanta Group rate of 83¢. In other words, the Atlanta Group extending into Alabama was the base rate to Chicago as a key point in what is termed Central Freight Association Territory while the North Carolina and South Carolina Mills with relative distances had a higher rate to Chicago.

Following the decision of the Commission, and the 10-percent increase prescribed by the Commission in Ex Parte 123, the Atlanta rate became $1.06 and applied from Spartanburg, S. C., Fitzgerald, Ga., and Roanoke, Alabama, as well as Atlanta, Georgia. The Asheville rate was $1.00, or 6¢ less than the Atlanta rate. The Marion N. C., rate became $1.03, 3¢ less than the Atlanta rate, and the Selma, N. C., basis became $1.01, or 5¢ less than the Atlanta basis.

The decision of the Commission divided the cotton textile mill products into three groups:

First. Grey Goods and Yarn.

Second. Finished Cotton Piece Goods.

Third. Dry Goods.

From the Southern mills, the groups were related to first-class as follows:

Grey Goods—45% of first;

Finished Cotton Piece Goods—50% of first;

Dry Goods—78% of the first——

Q. (Interposing.) I am going to interrupt you, for the benefit of the Administrator, will you define "first class" as you use it in that testimony?

A. First class is the ordinary measuring stick in the constructing of a rate scale. It is ordinarily the highest rate, and that is the standard on which other rates are related by a percentage scheme. Fourth class would be 50 percent and down the line in that manner, but first class is the usual measuring stick.

[Continuing reading.] In the North, the relationship to the first class was:

Grey Goods—57% of first;

Finished Cotton Piece Goods—63% of first;

Dry Goods—100% of first.

The percentages of that standard first class or taking first class as a standard, percentages were lower than they were in the North. That does not mean, however, that the rates in themselves were lower because first class may vary in different territories and between different points, but we will touch on that later.

It will be seen that the percentages of first class within the North are higher than from the South to the North.

In the studies made by the rail carriers following this decision, it was found that the group of commodities, including Sheets, Towels, etc., commonly known as Flat Goods, was moving in volume and was attractive traffic to competing transportation agencies. These commodities, therefore, were taken out of the Dry Goods

group and a new group established 5¢ over the cotton piece-goods group. This resulted in a very sharp cut in the rates on these commodities, the Atlanta-Chicago rate being reduced from $1.39 to $1.01, per 100 pounds. The decision of the Interstate Commerce Commission, broad as it was in scope, affecting rail rates throughout that portion of the United States lying east of the Rocky Mountains, and affecting also rail-water rail rates, did not affect the great body of rail and water rates from the South to the Northern Port Cities (712).

If the decision of the Interstate Commerce Commission had been carried into the published rates, the relationship between the rail rates from the South to the North and the rates within the North might have reflected the differential of 10% in favor of the northern producers referred to in the Commission's decision. However, adjustments were made prior to the publication of the rates and subsequent thereto, narrowing this spread. Rates from the South to the North via rail-water routes are on a basis lower than that prescribed by the Interstate Commerce Commission for rail movement. Rates to Trunk Line Territory—that is Eastern Trunk Line Territory, or the Atlantic Seaboard States, Pennsylvania, Delaware, New Jersey, New York—from the South were published on first-class rates lower than prescribed by the Commission for application on textile products—the Commission having established a first-class rate other than the going first-class rate in order that these percentages referred to would run against those rates rather than against the going rates—rates from mill points in the South to finishing plants in the South were maintained at a very low level, 30% of first class being maintained as maximum against the 45% laid down by the Interstate Commerce Commission.

Commodity rates for carload application were established in many instances on various commodities from the South to the North and carload rates have recently been established on Grey Goods from the South to the North; the general basis between the South and the Southwest will be reduced by rates becoming effective June 25 without a corresponding reduction from the North.

Within the North reductions have been forced by competition of other modes of transportation. New England has 80% of its population within 50 miles of water and most of its industrial centers within favorable trucking distance from New York. This has forced the rail carriers to depart from the maximum reasonable level of rates to New York City and the rate statements previously introduced show the effect of the carriers attempting to meet this competition.

Mills in the South Atlantic States have available rail-water rates to North Atlantic Port Cities lower than the rail rates. They have truck-water rates and they have through rates to this northern territory. The very large tonnage via the rail-water routes was referred to by the Commission in I. & S. Docket 3636, page 732. There was a heavy movement from the South to the North Atlantic Territory by truck or by truck-water-and-truck.

We are considering at the present time a revision in rates between the South and the North in an attempt to regain our position in the handling of this traffic from the South that is now moving entirely by truck into our northern markets.

Rail rates from New England to New York City were made to meet motor truck rates but do not include delivery service at New York, which is included in the rates from the South. So that a comparison of freight rates to New York City from the South and from New

England does not show the transportation costs that the shipper or the receiver must face. The shipper from the South has a pick-up at his mill and delivery in New York City. We were in the pick-up and delivery business in the North and New England and we had to go out of it. We found that our average costs in New York City ran as high as 15 cents per hundred pounds. We just could not meet that situation, so that a shipper from New England, shipping to New York—that is, a shipper in Northern New England—must pay for the pick-up at his mill, must deliver it to the freight house, and pay for the delivery in New York City.

Q. And that is not true of the Southern competitor?

A. The rates of the Southern competitor include the delivery costs. Reduced rates from the South to the North have been made effective on the Unfinished Cotton Piece Goods rates from Southern points including points in Virginia to Northern destinations 17% below the Commission prescribed basis without a similar reduction in the rates from New England origins.

The Southern producers also benefit from the method of the publication of the rates in both territories. On the commodities mixed cotton and rayon the Southern Carriers published the reduced basis to C. F. A. Territory of 70% of first class on the mixtures—that is the territory west of Buffalo and Pittsburgh, North of the Ohio River and East of the Mississippi River—without limitation of cotton content while the northern producers shipping this mixed commodity are forced to pay first class unless their commodity had less than 50% cotton. This meant from Atlanta to Chicago a rate of $1.34 so published and from Boston a rate of $1.54. In the consideration of freight rates affecting an industry all of these factors have distorted the transportation picture so that it is impossible by comparing rail freight rates to draw into that picture a question of distinct differential.

I said a few moments ago that in the decision of the Commission, it was stated that the publication of rail rates on the basis prescribed would give to the northern producers a differential of 10 percent. Representatives of Southern Carriers since that time, however, estimate that the differential is probably now about 5 percent. If we consider the large amount of this traffic moving by other forms of transportation, moving by rail and water as well, at rates lower than the rail rates and the number of rail commodity rates that have been established, I do not believe this 5 percent reflects the rates paid to actually move the traffic regardless of the means used.

Q. You mean by that, that it is less than 5 percent?

A. Yes, sir. I think it is impossible to determine. If we consider that in the background of rate making we have a mileage factor, your class rates are developed on mileage blocks, they must vary. Ordinarily, they vary with each producing point as that producing point's relation is in mileage to the consuming point. That is a continuous variation and then there is a variation due to other forms of variation.

Administrator ANDREWS. Why can't New England manufacturers ship by truck also?

The WITNESS. I would say that a large part of the New England manufacturers, in number, do use trucks. We have published a number of reduced rates, however, on a very low basis, much below the Commission prescribed basis in an attempt to meet that truck competition.

In no case that I know of have the carriers so largely disregarded transportation conditions as they did in this textile adjustment.

They have, however, continued the relationship at Chicago as between the Southwestern Group, the Atlanta Group, and the Boston Group, and I might add

to that the Alabama Group also. The parity in rates at Chicago between the Atlanta Group, the Alabama Group, and the Boston Group goes back to 1892.

Class rates from the South to the North are higher than class rates in the North. That is, that basic first-class rate is higher. There is no absolute relationship. A figure often quoted is 39 percent and that probably is the maximum. That is, the ratio as between the Southern rates and the Northern rates is as 139 is to 100 It is by the use of this figure that the Commission's estimate that the Southern rates are 10 percent higher than the Northern rates may be ascertained.

For instance, if we take the cotton-piece-goods basis, we have for the South 50 percent of 139 or 139½ percent as against 73 percent in the North. That does figure 10 percent. However, there are many departures from this basis; that is, considering all rates published on the maximum rates prescribed by the Commission, that theory was not followed out in the publication of the rates. There are many. Points in North Carolina, Kentucky, and Tennessee are not on this basis.

By the holding of the Atlanta Group rates to points in Georgia as far distant as Fitzgerald, a departure is also made from this basis. We also made a departure in the North. In the Chicago adjustment, we held the Boston basis back in the main. From the South to Atlantic Seaboard Territory, rail rates are lower than this basis. From New England to New York City and the territory East of the Buffalo-Pittsburgh Line, basic rates from New England are higher than the basic scale although truck and truck-water competition has forced reductions in our New England rates to New York City.

Boston, Massachusetts, is not a textile producing point compared to other towns in New England. I believe there is one rather small mill in Boston. There are mills located in northern New England in what is

termed the Brunswick, Maine; the Burlington, Vermont; the Lewiston, Maine; and the Waterville, Maine, groups.

From Brunswick, Maine, and Lewiston, Maine, to Philadelphia, to Syracuse, New York, Rochester, New York, to Washington, D. C., Richmond, Virginia, to Harrisburg, for instance, the first-class rates are 4 cents higher than the basic level used in determining relationships in first-class rates. From Burlington, Vermont, and Waterville, Maine, to these same destina ions, the first-class rates are 5 cents per 100 pounds higher than the basic scale.

In the adjustment of rates from the South to the North, the northern carriers joined on the basis lower than prescribed by the Commission. In fact, it was necessary to increase some of the rates from North Carolina producing points so that the rates from intermediate points in the North would not be higher than these North Carolina rates, but a condition still exists where the rates from certain North Carolina points to North Atlantic Points is lower, mile for mile, than the rates within Northern Territory. In fact, the basis the carriers agreed to was so low it was necessary to increase some of the rates from North Carolina in order that the rates from the intermediate points in all northern territory would not be higher from the southern mill points, but a condition still exists where the rates from certain points in that area are lower, mile for mile, than the rates in northern territory:

On the Dry Goods List of commodities on which the Commission prescribed 78 percent of first class from the South as compared to first class within the North, a departure was made by the Southern Carriers to that territory in the central part of the country included in the line drawn from Cincinnati to Indianapolis, to Chicago, to Peoria, to St. Louis in that the rates were made 70

percent of first class as against 78 percent applying to other northern destinations.

The rates from northern origins to this territory were likewise reduced from 100 percent of first class to 90 percent of first class but this adjustment did not give the New England producers the parity at Chicago that they had in the Finished Cotton Piece Goods adjustment as the rate from Atlanta to Chicago became $1.34 and from Boston to Chicago $1.39.

We spoke of the Commission prescribed rates and references have been made to the Commission prescribed rates as establishing differentials. We can look at that picture in a little different way. We can take the adjustment to New York City, bearing in mind that these southern rates do include that delivery to New York City and take your southern mill points running from Danville, Virginia, down to Fitzgerald, Georgia. Danville, Virginia, is 467 miles from New York City. The Commission prescribed rate was 69 cents. That is including the 10 percent increase. The rail-water rate is 58 cents. Now right there that 10 percent is gone.

Roanoke Rapids, North Carolina, is 436 miles. The prescribed rate was 69 cents, the rail-water rate is 58 cents. Marion, North Carolina, the other end of the North Carolina Groups is 663 miles from New York City. The prescribed rate was 98 cents, the rail-water rate is 81 cents.

Looking at your South Carolina Group, Rock Hill, South Carolina, is 632 miles from New York. The prescribed rate was 94 cents and the rail-water rate is 81 cents. Graniteville, South Carolina, with a mileage of 777 miles, a prescribed rate of $1.07 and a rail-water rate of 81 cents.

The Georgia points; Elberton, Georgia, the mileage is 772 miles, a prescribed rate of $1.07 and a rail-water

rate of 92 cents. Augusta, Georgia, 789 miles, a prescribed rate of $1.09 and a rail-water rate of 81 cents. Fitzgerald, Georgia, a distance of 982 miles, a prescribed rate of $1.23, and a rail-water rate of 92 cents.

The spread between the southern producing points on the rail-water rates to New York City is 58 cents to 92 cents. That is merely taking the South Atlantic States.

Q. With reference to the figures you have just given, they tend to show, do they not, the alleged 10 percent differential can be entirely eliminated by rail-water transportation?

A. Yes, sir.

Now look at Baltimore, Maryland, where we do not have these depressed rates from New England. Danville, Virginia, is 286 miles, the prescribed rate was 56 cents and the rail-water rate 46 cents. Roanoke Rapids, North Carolina, is 256 miles, with a prescribed rate of 58 cents and a rail-water rate of 52 cents.

At the other end, Marion, North Carolina, 482 miles, a prescribed rate of 87 cents and a rail-water rate of 77 cents.

The South Carolina Group, beginning with Rock Hill, South Carolina, 451 miles, the prescribed rate is 80 cents and the rail-water rate is 75 cents. Graniteville, South Carolina, 596 miles, a prescribed rate of 96 cents and the rail-water rate is 78 cents. Augusta, Georgia, 608 miles, the prescribed rate was 96 cents, rail-water rate 78 cents. Fitzgerald, Georgia, 801 miles, $1.12 was the prescribed rate and 87 cents rail-water.

Now, if we look at our rates from northern New England to Baltimore, we find that Brunswick, Maine, is 555 miles to Baltimore, and the all-rail rate is 80 cents; from Lewiston, 564 miles, 82 cents; Waterville,

608 miles, 86 cents. The distance from Augusta, Georgia, is 608 miles, exactly the distance from Waterville. The rail-water rate is 78 cents and our rail rate from Waterville is 86 cents, so that any 10 percent differential that can be discovered in the all-rail adjustment is soon lost when you consider the departures made from the all-rail scale and when you consider the much lower rates carried by rail-water.

You must also bear in mind that the rail rate or the rail-water rate is not the sole measure to consider in looking at transportation costs today because the rail carriers are attempting to meet truck competitive figures every day. Sometimes we can meet them when we know what they are but we still have contract carrier rates that we do not know the rates actually charged for the movement of commodities.

Q. Mr. Harrington, would you say that there is any stability in the rate structure?

A. There is no such thing as stability in the freight rate structure today. The various competing agencies are making changes overnight. We have discussed in Committee and will shortly put out to the public a proposal to revise all the rates on a certain type of textile product, the mixed cotton rayon and the all-rayon, between the South and North.

Very recently, in fact, effective June 25, a complete revision of rates was made between the South and Southwest reducing the level of rates between those two territories. We cannot meet that.

Q. On the basis of the rate structure at the present time, would you say that there is a differential favorable to the North with respect to textile products?

A. I cannot answer that question. At different points, you can make rate comparisons but that does not show all the rate comparisons that probably should be made. It does not bring in your competing forms of

transportation. At certain points certain mills have advantages and at certain other points other mills have other advantages. I don't know how you can get a statement that there is a differential one way or the other.

Mr. WYZANSKI. That is all.

Administrator ANDREWS. Any further questions?

Cross-examination by Mr. JOHANSEN:

Q. Mr. Harrington, I think the Administrator will agree it is a complex problem after all of that.

A. I did not know any shorter cut.

Q. No; I think you did a good job. You mentioned you do not have pick-up and delivery service in New England?

A. I said Northern New England.

Q. But you do have pick-up and delivery and make a charge for it?

A. Yes. Probably I should have qualified that by saying we do not accord free pick-up and delivery.

Q. So far as Mr. Cunningham's statement was concerned, in New York you would plus these rates?

A. They would have to be plus because of the cost of operation in New York City.

Q. That is assuming, of course, we do not have shipments large enough to use trap car service. For instance, you have that in New England?

A. We have trap cars originating in New England but we do not provide that in New York City. We would at origin, for instance, at Waterville, Maine, if a shipper could give us more than 4,000 pounds, we would set a car for him and bring it from the freight shed without any charge.

Q. You do not have any fixed scale of pick-up and delivery charges for pick-up and delivery service, do you?

A. They vary according to the cost in the different localities. It runs up to 7 cents, 9 cents. Now, I think in New England——

Q. (Interposing,) But at New Haven, you do have pick-up and delivery service?

A. Yes.

Q. But there your rate would have to be increased to 45 cents, is that right?

A. No. The rates shown from New Haven to New York City are specifically flagged so as not to include delivery service. The rate must be a minimum rate of 45 cents.

Q. In other words, these points that Mr. Cunningham showed on his statement, if you would increase those points that were less than 45 cents to 45 cents, that would be a proper comparison?

A. Yes.

Q. You spoke of the truck rates from the south to New York as a rather unstable situation. Do you know of any truck rates on finished cotton piece goods that are less than the water-rail rates?

A. We are attempting and have attempted to find out just what those truck rates are. We know there is a tremendous movement by truck. We have been given certain truck rates. I would not say that the rates we have been given are lower than the rail-water rates though they are lower than the rail rates.

Q. Did you mention in your list of departures from what the Commission prescribed the 60 percent basis that applies in Official and New England Territory? You may have and I may have overlooked it. I just want to be sure it shows it.

A. I thought I did. I thought I brought that all in.

Q. Now, when we speak of a 10 percent disadvantage, we are speaking of a 10 percent mile for mile, aren't we?

A. Yes, sir.

Q. And you say that is worked down to probably 5 percent——

A. (Interposing.) That was a statement of the representative of the Southern Carriers. I would not agree with that. I am giving you that as a benefit of the Southern Carrier witness.

Q. That still is on a mile for mile?

A. That is still on a mile for mile.

Q. But to the extent we are farther from the market then we lack very much of being within a 5 percent of what you have?

A. If you look at those rail-water rates and if you look at our northern territory, you will find that running from the south into C. F. A. territory through Cincinnati, Indianapolis, and Louisville, mileage has been disregarded to an extent because of the Atlanta holdup. Then look at the Atlantic Seaboard; Boston, New York, Philadelphia, Baltimore, you see those boat lines come in from the south and they make these rates much below——

Q. (Interposing.) It is still very much higher than any rate from New England?

A. No. Now, take your interior New England rates to some of your southern North Atlantic ports, if I can put it that way. You won't find any comparable rates from northern New England with your southern rates. Take, for instance, Lewiston and Waterville, those Maine points. You will find it in Boston and Fall River but if you go into the northern group of origins, you won't find it.

Q. What is your rate from Lewiston to New York today? I can't testify but would you be satisfied with my quotation of 57 cents?

A. Yes, I would.

Q. Do you know of any point in the south, outside of, perhaps, Danville, Virginia, that has a rate that low to New York City?

A. Now, you have a rate of 57 cents from Lewiston to New York City. That does not include delivery charge. Now, what can we add at New York for the delivery charge? We can add 15 cents or 12 cents——

Q. (Interposing.) What does the tariff say?

A. It does not say because it is not set out. This is your textile trade. They demand certain deliveries in New York City but I think we are fair in saying 12 cents.

Q. All right.

A. Or make it 10—or 12 cents. That will make it 69 cents. Now, 69 cents rail-water runs down as far as Laurinburg, North Carolina.

Q. How far does it run down the main line of the Southern?

A. I don't have them set up geographically. I have them set up by miles.

Q. Now, that is the most extreme point that New York draws traffic from in New England?

A. In the textiles?

Q. That is right.

A. No, we have a mill at Waterville where the rate is 61 cents.

Q. All right. We will drop down to the other New England points where there is a big production and a lot of it goes to New York City. We will assume from the tariffs your rate there, we have agreed, is 45 cents and that does include pick-up and delivery?

A. I would say that our textiles moving to New York City are moving on the commodity rates carried in our tariff which could not include pick-up and delivery but, of course, they are lower than 26 cents.

Q. If the customer will pay 45 cents, they will be picked up and delivered, will they not?

A. That would depend on what your percentage to first class made that rate. These low commodity rates apply but with that flag they do not include pick-up and delivery service. If you don't want those rates, you have got to go to the percentage of first class basis. I don't know what those rates are.

Q. I don't want to be put in the position of testifying, but will you accept my figure of 45 cents as being the truck commodity rate from lower New England?

A. That seems like a good figure.

Q. Do you know of any point in the South that has a rate of 45 cents?

A. No, the lowest I see here is the Virginia Group—no, that is all right. I don't see any, but there is your difference there. You have got your difference between the southern New England and northern New England, as well as your difference between the South.

Q. Well, what would you say the competitive condition on the West Coast was as far as New England is concerned?

A. That is entirely a water situation, I would say. I would say that the water movement controls those rates and I haven't those rates with me but I think that possibly—I did have a few of those rates—if you take the rate at Boston, for instance, you get one picture but if you go up to Lewiston, as I check that, to the Pacific Coast, it has a rate of $1.63. Now, West Point, Georgia, I check, has a rate of $1.44. Biddeford, Maine, has a rate of $1.54. You have got rates down——

Q. (Interposing.) To what point on the West Coast, may I ask?

A. Los Angeles.

Q. Your rate from what point in Georgia is $1.44?

A. West Point, Georgia. I show in this statement, also——

Q. (Interposing.) First, would you mind telling me how you constructed that rate?

A. There will be a later witness who will have that detail. I said I did not testify as to these rates as to the West Coast because that is principally the water movement and they were not in issue in Docket 3636.

Q. You said in your testimony, I believe, that 80 percent of the population of New England was on the water or close to the water, within so many miles of the water?

A. Within 50 miles of the Seaboard. That does not mean within 50 miles of a port, of course.

Q. Most of the cotton mills in New England are close to ports, are they not?

A. No. I don't know what you mean by "close" there.

Q. Some of them are ports?

A. Our development was more along the rivers than along the seacoast.

Q. In New England?

A. Yes. The original development of textiles, of course, you had the mills at Salem. Then you have the mills at Merrimac River and the mills at Saco River, Maine.

Q. Will you agree that they are nearer to water transportation than southern mills?

A. No, because you have got a lot of southern mills that must be near the water.

Q. Well, again I say I can't testify, but we haven't one within 200 miles of water. I thought perhaps you knew that with your experience.

A. You have got mills in New England, for instance, the mill at Burlington, Vermont. You have got a mill there that is distant from water 170 miles.

Q. Vermont is not an important textile-producing state, is it?

A. Well, that depends on what you mean by important.

Q. As to the volume of production in the United States?

A. No, I would say not as to the total of the United States.

Mr. JOHANSEN. I have no more questions.

Administrator ANDREWS. Any more questions? (No response.)

Witness excused.

TESTIMONY OF M. L. HATCH (T. 547)

The witness testified as follows:

Mr. WYZANSKI. Mr. Hatch.

Direct examination by Mr. WYZANSKI:

Q. Will you give the Administrator your name and address?

A. M. L. Hatch, 80 Federal Street, Boston, Massachusetts.

Q. What is your present occupation?

A. I am traffic manager of the National Association of Cotton Manufacturers.

Q. Will you tell the Administrator something of your experience in the past?

A. I was with the traffic department of the Pennsylvania Railroad for fifteen years in various capacities. I entered the employ of the Arkwright Club in 1918 and the employ of the National Association of Cotton Manufacturers in 1931 when the Arkwright Club was absorbed by that Association.

Q. Have you prepared a statement with reference to traffic conditions in the textile industry?

A. I have.

Q. First of all, before you read your statement you are going to refer to two exhibits, aren't you?

A. Yes, sir.

Q. Did you prepare both of those exhibits?

A. I did.

Mr. WYZANSKI. I will offer those two exhibits as Exhibit Number 24 and Exhibit Number 25.

Administrator ANDREWS. Any objection?

(No response.)

Administrator ANDREWS. All right.

The WITNESS. My Exhibit Number 1 is submitted——

Mr. WYZANSKI. (Interposing.) Excuse me, will you call your Exhibit Number 1, Exhibit Number 24, and your Exhibit Number 2, Exhibit Number 25?

Administrator ANDREWS. What are the exhibits?

Mr. WYZANSKI. Number 24 and Number 25.

Administrator ANDREWS. Will you describe them?

Mr. WYZANSKI. Exhibit 24—maybe you had better describe them.

The WITNESS. That is entitled "Freight Rates on Finished Cotton Piece Goods From New England to 25 Cities in the United States."

Mr. WYZANSKI. And Exhibit 25 is "Freight Rates on Finished Cotton Piece Goods from 27 Origin Points in New England, Southeast and Southwest to 22 Destinations Via Standard All Rail, also Rail and Water Routes."

Administrator ANDREWS. If there is no objection they will be accepted.

(No response.)

(National Association of Cotton Manufacturers' Exhibit Number 24 and Exhibit Number 25, Witness Hatch, received in evidence.)

By Mr. WYZANSKI:

Q. Will you proceed, Mr. Hatch, with your statement?

A. My exhibit Number 24 is submitted to show the freight-rate picture from representative New England mill points as against the use of the Boston group rate alone, shown in table of Mr. Cunningham of the Associated Southern Mills, dated October 1, 1938, entitled "Transportation Costs in cents per 100 pounds on Finished Cotton Fabrics in the original piece, via standard rail routes and lowest rated routes, from Boston, Charlotte, and Atlanta, to 25 largest cities of the United States," showing an average of 86 cents of the column of Boston rates under the heading "Rates via lowest rated routes," which is used as a factor in arriving at a difference of 22 cents to 25 cents per 100 pounds to the alleged disadvantage of the Southeast, as referred to in the Minority Report.

The majority of our mills are in the Boston rate group but the use of that rate alone does not show the whole picture. We have nine large mills in Maine: The Pepperell Manufacturing Company, Biddeford; York Manufacturing Company, Saco; Bates Manufacturing Company, Hill Manufacturing Company, and Androscoggin Mills, Lewiston; Cabot Manufacturing Company, Brunswick; Edwards Manufacturing Company, Augusta; Lockwood Company, Waterville; and Dana Warp Mills, Westbrook.

Rates from our Maine mills are higher than the Boston group to that great territory across the northern part of the country in Trunk Line, Central Freight Association and Western Trunk Line territory, that is, the states of New York, Pennsylvania, New Jersey, Maryland, Delaware, Ohio, Illinois, Indiana, Michigan, Minnesota, Missouri, Iowa, Kansas, the eastern half of Colorado, including Denver, Nebraska, and the Dakotas. Maine takes higher first class than Boston to this territory, reflecting its greater distance. Rates on

Finished Cotton Piece Goods to this territory are 60 or 63 percent of first class according to the destination. The dividing line is the western termini of Trunk Line territory, roughly a line from Buffalo through Pittsburgh.

The Boston rate does apply from Maine to Cincinnati, Indianapolis, Chicago, St. Louis, Louisville and points within that so-called triangular territory. To all the other destinations, however, shown by Mr. Cunningham, the rates from Maine are higher, as shown by my exhibit.

To Chicago and Milwaukee, 91 cents is the lowest rate from New England, including Maine, via Canadian rail and lake routes, but it can only be used in the summer months while the lakes are open for navigation. Only a comparatively small part of the Chicago business from New England moves rail and lake. The lowest rate during the other months is $1.03 by the rail routes over the Canadian Pacific Railway and Canadian National Railway. The bulk of the Chicago business is divided between those Canadian routes and the standard routes via the United States Railroads, rate 1.06, on account of the necessity of quick delivery.

To Detroit, it will be noted from my exhibit that rates from Maine are 6 to 16 cents higher than Boston either standard all rail or standard rail and lake routes. No lower rail and lake rates to Detroit.

To Cleveland, from Biddleford and Lewiston the standard rail rate is 7 cents higher than Boston and from Augusta and Waterville, 19 cents higher. Via rail and lake, 6 cents higher from Biddleford and Lewiston and 18 cents higher from Augusta and Waterville. No lower rail and lake rates to Cleveland.

To Minneapolis, the Maine rates are 4 and 13 cents higher than Boston via standard all rail routes; 5 and

14 cents higher by Canadian rail and lake routes, and 4 and 13 cents higher by Canadian rail routes.

To Kansas City, rates from Maine mills are 5 and 13 cents above the Boston rate, by standard all rail, Canadian rail and lake or Canadian rail routes.

To New York City, except from New Bedford, 40 cents is the lowest rate from Lowell and Salem, Massachusetts, and Nashua, New Hampshire, but from Biddeford, Lewiston, Augusta, and Waterville, Maine, rates are 6, 17, 19, and 21 cents, respectively, higher than 40 cents. Rates are also much higher from Maine to Philadelphia, Baltimore, Pittsburgh, Buffalo, Washington, Rochester, Newark, and Jersey City, as indicated. I do not agree with Mr. Cunningham's lowest rates to this territory. The correct rates are higher and lower.

To New Orleans, I cannot check the 103 cents rate from Boston shown by Mr. Cunningham. The lowest is from Boston proper and New Bedford, 118 cents, by direct water lines (63 percent of first class, Item 307 A, Supplement Number 47, Sedgman's tariff 38, I. C. C. 238). Through rates from interior mill points are higher: Lowell and Salem, Massachusetts; Nashua, New Hampshire, 128 cents; Biddeford and Lewiston, Maine, 132 cents; Augusta, Maine, 151 cents.

To Los Angeles, Cal., San Francisco, Cal., Seattle, Wash., Portland, Ore. (via Boston); Via steamship companies operating via the Panama Canal.

Rates shown under the heading "Via lowest rated routes" in Mr. Cunningham's table from Boston to Los Angeles, 126.5 cents; San Francisco, 105.75 cents; Seattle and Portland, 107.5 cents, are not representative of rates from New England mill points. There are no through rates from interior points. The American-Hawaiian Line and Luckenbach Line publish from their Boston piers, only 105 cents on Cotton Piece Goods to the four coast points referred to. Adding the local

rate to Boston and transfer makes a different picture, as shown in my exhibit. Boston wharfage in addition, is not included as it varies according to the weight of the shipment. The rates I show include transfer charge of 10 cents per 100 pounds from the Boston freight terminal of the Boston & Maine Railroad. In the case of New Bedford and Providence on the New Haven Railroad, there is no Boston transfer charge made as the steamers dock at Commonwealth Pier which is reached by the tracks of the New Haven Railroad.

Mr. Cunningham's table shows Charlotte, North Carolina, to Los Angeles, 174.35 cents; San Francisco, 153.6 cents; Seattle, Washington, and Portland, Oregon, 155.35 cents; and from Atlanta, Georgia, to Los Angeles, 169.35 cents; San Francisco, 148.6 cents; Seattle and Portland, 150.35 cents, presumably via steamship via Panama Canal. Miller's I. C. C. 249, entitled "Cotton Goods Export and Coastwise," shows proportional rate of 39 cents on Finished Cotton Piece Goods from both Charlotte and Atlanta to South Atlantic ports for transshipment to Pacific Coast, which plus $1.05 makes $1.44 to all four coast points. Handling at 77 cents per ton (at the port) is additional.

My exhibit, as explained above, shows that the rates from New England mill points are considerably higher than shown by Mr. Cunningham.

I now desire to present for your information my Exhibit Number 25, a statement showing rates on Finished Cotton Piece Goods in cents per hundred pounds from 27 representative points (10 in New England, 12 in the Southeast, and 5 in the Southwest) to 22 destinations. The rate to these destinations from all shipping points are in one column.

Nashua, New Hampshire; Salem, New Bedford, Lowell, and Winchendon, Massachusetts; Providence,

Rhode Island; and Burlington, Vermont, take the Boston group rate hereafter referred to as the Boston rate. To some of the points rates from mill points in Maine are the same as Boston. To others Biddeford and Lewiston take higher than Boston, and Augusta, Maine, still higher.

While the southern manufacturers have some rate disadvantage to Northeastern destinations, on the other hand there is a large territory where they have the advantage over New England manufacturers. This exhibit will illustrate that situation.

To Boston and New York, New England of course has the advantage due to shorter distance.

To Cincinnati the Southeastern origins have an advantage of 1 to 19 cents per hundred pounds over the Boston group, also Maine mills. Southwestern rates are 5 cents higher than New England.

To Cleveland, New England has the advantage in some cases. Eleven Southeastern origins are 2 cents to 34 cents higher than Boston, while Danville, Virginia, is 5 cents lower. From Maine the advantage is reduced. Ten Southeastern points are 6 cents to 27 cents higher than Biddeford and Lewiston.

Greensboro is 5 cents and Danville 12 cents under those Maine points. Eight Southeastern origins are 3 to 16 cents higher than Augusta. Greenville and Augusta rates are the same but Charlotte, Greensboro, and Danville are 5, 16, and 23 cents below the Augusta rate. Southwestern points are 38 to 87 cents higher than Boston; 31 to 80 cents higher than Biddeford and Lewiston, and 20 to 69 cents higher than Augusta.

To Indianapolis the Southeast has an advantage of 1 cent to 17 cents over New England from 11 points. Southwestern origins take 2 and 3 cents higher than New England.

To Detroit we have an advantage of 5 to 27 cents from the Boston group over the Southeast, and 10 to 21 cents from Biddeford and Lewiston over 10 Southeastern points. Danville is 8 cents below Biddeford and Lewiston. Seven Southeastern points are 3 to 11 cents higher than Augusta. Charlotte takes the same rate as Augusta. Greensboro, however, is 11 cents and Danville 18 cents lower than Augusta. Boston has the advantage over the Southwestern origins, 29 to 78 cents: Biddeford and Lewiston 23 to 72 cents, and Augusta, Maine, 13 to 62 cents.

At Louisville both the Southeast and Southwest have the advantage over New England by 11 to 26 cents from the Southeast and 3 cents from the Southwest.

At Chicago the rail rates from New England, Southeast, and Southwest were equalized at what is now 106 cents, regardless of distance, under the Commission's Decision in I. & S. 3636 (reported at 211 I. C. C. 692). Boston to Chicago is 972 miles: Dallas to Chicago, 935 miles: Atlanta to Chicago, 729 miles. Danville, Greensboro, Pell City and Stonewall are a little under 106 cents, viz. 8, 5, 6, and 3 cents respectively.

At Minneapolis and St. Paul the Southeast are under the Boston rate from 5 points and over from 6.

The Southeast are under Biddeford and Lewiston, Maine from 6 points and over from 4. All the Southeast is under Augusta except from Hartsville. Three Southwestern origins are over New England. The rate from Dallas, Texas, is the same as Boston but lower than Maine. Sand Springs rates are 29, 33, and 42 cents less than New England's.

To St. Louis the Southeast has an advantage of 14 to 31 cents over New England; the Southwest, an advantage of 23 cents. That territory also has the advantage over most of the Southeast.

To Kansas City, Missouri, the Southeast has an advantage of 3 to 34 cents over the Boston group and 8 to 47 cents over Maine. The Southwest has a greater advantage over both New England and the Southeast.

When the rates to St. Louis and Kansas City were being made up by the carriers following the Commission's decision in I. & S. 3636, I understand the Southwestern Railroads cut the basic rate applying from the Southeast to St. Louis, now 106 cents, and published from Texas origins to St. Louis and Kansas City what is now 97 cents.

To Wichita, Kansas, the Southeast has an advantage of 12 to 38 cents over the Boston group and 4 to 14 cents more, over the Maine mills. The Southwest has an advantage over the Boston group of 132 cents from Sand Springs and 101 cents from Texas points. They have the advantage over Biddeford and Lewiston of 105 cents and 136 cents, and over Augusta, 115 and 146 cents. The Southwest has an advantage over the Southeast of 63 to 89 cents from Texas and 94 to 120 cents from Sand Springs, Oklahoma.

To Des Moines, Iowa, the Southeast has the advantage of 3 to 23 cents over Boston and 7 to 36 cents over Maine; from the Southwest 3 rates are higher than Boston and 2 lower.

To Atlanta and New Orleans, even with rail and water rates from New England, the Southeastern mills have the advantage on account of shorter distance. From the Southwest rates are higher to Atlanta than from New England, but lower to New Orleans than from New England.

To Dallas, due to shorter distance, eight of the Southeastern origins have the advantage even with New England's rail and water rates, but Danville, Charlotte,

Greenville, and Hartsville are higher than New England. From Southwest origins the rates are lower than from the Southeast.

To Omaha the Southeast has the advantage over New England of from 3 to 22 cents over the Boston group and 8 to 36 cents from Maine. The Southwest is below both New England and the Southeast.

To Denver the Southeast has the advantage over mills in the Boston group of 3 to 33 cents and from 8 to 47 cents from Maine. The Southwest has the advantage over both New England and the Southeast.

Rate 298 cents via all rail transcontinental routes to Los Angeles, San Francisco, and Seattle applies from New England, also Virginia, North Carolina, and South Carolina; from Georgia, 274 cents; Alabama and Mississippi, 261 cents; from Texas, 227 cents to Los Angeles and San Francisco, and 249 cents to Seattle. On rail and ocean rates via Atlantic and Gulf ports and steamship lines via the Panama Canal, the Southeast has the advantage from some points. New England rates run from 134 cents to 174 cents; from the Southeast, 135 cents, 138 cents, and 144 cents. The water rate from Houston is 105 cents, same as from Boston piers. This rate applies to Pacific Coast ports named, from Boston, New York, Philadelphia, Norfolk, Charleston, Savannah, Jacksonville, Mobile, New Orleans, Galveston, and Houston.

From Dallas the present rail and water rate to the Pacific Coast ports is 198½ cents including 5½ cents per 100 pounds port charges. Effective on June 25th it will be 180½ cents. The rate from Dallas to the Gulf port will be reduced 18 cents.

To Northeastern markets along the Atlantic Seaboard the Southwestern manufacturers have the benefit

of water rates via Gulf ports, which I understand do not reflect the disadvantage in the greater distance. They are not made with absolute regard to mileage as are the all rail rates. For instance Finished Cotton Piece Goods, Dallas to New York and Boston via rail and ocean is 105 cents; all rail, 180 cents. In the reverse direction rail and water rates from New England to Dallas are much higher than the northbound rail and ocean rates.

I would like to call attention to another very appreciable advantage Southeastern Manufacturers have over New England. There are many special carload rates on denims, cord tire fabric, and shade cloth, etc., in Miller's I. C. C. 411 and 430, which are away below anything we have from New England, as we have no corresponding adjustment.

A few illustrations: From Erwin and Greensboro, North Carolina; Rock Hill, South Carolina; and Canton, Georgia, to St. Louis, a carload rate on denims, minimum weight 30,000 pounds, 88 cents per 100 pounds. The best we have from New England is 120 cents standard rail; 117 cents Canadian rail; 112 cents summer rail and lake or rail and ocean, and 109 cents lowest summer rail and lake routes. The regular Finished Cotton Goods rates from the southern points named are 97, 105, and 106 cents.

To Indianapolis a carload rate on denims of 77 cents from Erwin and Greensboro, North Carolina; Rock Hill, South Carolina; Pell City and Talladega, Alabama. The best we have from New England is 103 cents via standard rail lines and 100 cents by Canadian rail routes. The regular Finished Cotton Goods rates from the southern points named are 89, 92, 94, 99, and 100 cents.

From New Orleans there are carload rates on denims as follows, with New England rates opposite:

To—	Carload rates	New England rates
St. Louis, Mo	88	120, 117, 112, 109.
Indianapolis, Ind	92	103, 100.
Spring Valley, Ill	94	113, 110.
Abingdon, Ill	95	120, 117.
Galesburg, Ill	95	120, 117.
Richmond, Ind	96	101, 98.

To Kansas City, Mo., a carload rate on denims of 115 cents from Greensboro, North Carolina, and Pell City, Alabama. From New England the best we have is 166, 163, 158, or 155 cents via standard rail, Canadian rail, summer rail and lake and rail and ocean, and Canadian summer rail and lake, respectively.

Q. Do you want to comment on Exhibit 24, Mr. Hatch?

A. Yes.

Q. Will you explain that exhibit?

A. This Exhibit 24, my number 1?

Q. That is correct.

A. That is what I explained in the first half of my testimony.

Q. All right. Exhibit 25 refers to cotton piece goods, finished cotton piece goods; do I understand these rates cover only cotton cloth or fabrics?

A. No, sir, they also cover many other manufactured cotton articles, cotton bagging, batting, bats, wadding, mattress felt or pads, buckram, book-cover cloth, fireproofed cloth, filter-press cloths, window-shade cloths, machinery wiping cloths or rags, corduroy, crash, tire fabric, knit fabrics, linings, mop heads, mosquito netting, laundry padding, felt pads, rope, thread, tire cord, twine, webbing, wicking, and yarn. The tariff description is uniform, North and South.

Q. You have referred to an exhibit which the minority report of the Industry Committee also refers to, an exhibit prepared by Mr. Cunningham on the basis of twenty-five cities. What do you say about the averages used in that exhibit as showing alleged disadvantages to the Southeast?

A. As far as those particular rates are concerned the average is useless for several reasons. The first is that it don't include truck rates. The second is, it is not complete enough to be fairly representative. Another reason is that the New York rates do not include delivery service and, further, there are incorrect rates to Trunk Lines to New Orleans as I have described.

Cross-examination by Mr. JOHANSEN:

Q. Mr. Hatch, I did not have the benefit of your exhibit——

A. (Interposing.) Just a minute, I have a little more.

A small group of our mills shipped in 1937, the last data available, slightly over 133 million pounds in that year. We made up a tabulation to indicate that the distribution by percentage of that poundage, which was broken down according to destination, follows practically the population, the idea being that distribution follows population.

To New York City, the distribution of that tonnage was 20.06 percent, population 5.63. To New England and New York State (except for New York City), distribution 12.45 percent, population 11.30 percent. Middle Atlantic States, distribution 20.49 percent, population 21.80 percent. Southeastern States, distribution 9.28 percent, population 15.60 percent. Middle Western States, distribution 20.56 percent, population 22.20 percent. Southwestern States, distribution 4.67 percent, population 10.20 percent. Western States,

distribution 2.94 percent, population 5.60 percent. Far Western States, distribution 8.75 percent, population 7.60 percent. Unclassified, distribution .80 percent, population .07 percent.

The Middle Atlantic States referred to in this tabulation are Ohio, Pennsylvania, West Virginia, Virginia, Maryland, New Jersey, Delaware, District of Columbia.

The Southeastern States are North Carolina, South Carolina, Georgia, Florida, Mississippi, Alabama, Kentucky, Tennessee.

The Middle West States are Michigan, Indiana, Illinois, Wisconsin, Iowa, Missouri, Minnesota.

The Southwestern States are Arkansas, Oklahoma, Texas, New Mexico, and Louisiana.

The Western States are Montana, North Dakota, South Dakota, Wyoming, Nebraska, Colorado, Kansas, and Utah.

The Far Western States are Arizona, Nevada, California, Idaho, Oregon, and Washington.

Q. And do any of the Maine mills ship any of their goods to Canada for consumption?

A. I don't know. I have no percentage.

Q. Mr. Hatch, part of your criticism of Mr. Cunningham's use of a Boston rate was based on the fact that Lewiston has higher rates; is that right?

A. Yes. I wanted to get in the Maine picture so it would be fairly representative of all the New England mills.

Q. For instance, if he had run in there and averaged Utica or Chadwick, New York, the picture would have been very much the same; wouldn't it?

A. Not having checked that rate, I wouldn't know.

Q. Would you say the preponderance of tonnage of New England mills moves from Maine?

A. No, most of our tonnage is from the Boston group.

Q. Your Exhibit 25, will you tell me, please, where you got the rate from New Bedford to Los Angeles of $1.36?

A. Yes, I got that from the Morgan Line, Boston.

Q. You know that their rate is $1.05 and then there are what additional charges to be added?

A. No, they say their rates are what I gave you.

Q. Have you made a computation of what the average advantage or disadvantage of the New England mills against the South is of the United States as a whole?

A. No, I did not.

Q. Do you know that the New England mills have an advantage?

A. Well, as I explained in my testimony, they have advantages at some points and they are at a disadvantage at others.

Q. But they are at an advantage over the United States?

A. I do not know. I did not average them.

Administrator ANDREWS. Any other questions?

(No response.)

(Witness Hatch excused.)

TESTIMONY OF A. H. FERGUSON (T. 566)

The witness testified as follows:

Direct examination by Mr. WYZANSKI:

Q. Give your full name and address.

A. A. H. Ferguson and I am from New Bedford, Massachusetts.

Q. With what Association or company are you connected?

A. I am manager of the Transportation Bureau of the New Bedford Board of Commerce.

Q. And how long have you held that position?

A. Nineteen years.

Q. I think that is sufficient statement of your qualifications. Have you a statement?

A. I would like to add to that. I have been in the transportation work close on to 38 years, 6 with the railroads at Buffalo, New York, 13 years with the Interstate Commerce Commission at Washington, in the offices of the Section of Traffic and the Chief Examiner's Office, and 19 years in commercial transportation work.

Q. Have you prepared a statement, Mr. Ferguson?

A. I have.

Q. And to that statement are there attached Exhibits?

A. There are.

Q. How many Exhibits are there?

A. I have four there.

Q. Did you prepare all of these Exhibits?

A. I did personally, yes, sir.

Mr. WYZANSKI. I offer these Exhibits as Exhibits Numbers 26, 27, 28, and 29.

Administrator ANDREWS. All right, they will be received.

(National Association of Cotton Manufacturers Exhibits Numbers 26, 27, 28, and 29, Witness Ferguson, received in evidence.)

The WITNESS. Among the reasons given in the statement of the Minority of Industry Committee No. 1, submitted to the Administrator of the Fair Labor Standards Act of 1938, in opposition to the Majority's recommendation that a uniform minimum wage of 32½ cents per hour be fixed for the Textile Industry, are those contained on pages 7 to 10 thereof, relating to what is stated as the competitive disadvantage of the southern textile manufacturers, due to an alleged discriminatory freight-rate situation. This is contended

to be one of several economic or competitive conditions or factors not adequately considered by the Majority in its statement.

In the Minority's statement, on page 9, the comparative transportation costs on finished cotton fabrics in the original piece, is said to be "intended merely to establish that, as between the North and South, a competitive situation exists which, under the Act, the Committee should have taken into consideration." That a "competitive situation exists" as between the several sections where the Textile Industry is located, in the marketing of its products in any part or at any point in the country, is an accepted fact and a natural condition met with by manufacturers of any useful commodity, whether they are located in different parts of the same state or in different sections of the country.

The question of whether or not the competitive situation established by the comparative transportation cost information, submitted in the Minority's opposing statement, should be considered as such an economic or competitive factor or condition by Industry Committee No. 1, must depend on a clear, complete, and fair showing of all the elements involved in what the Minority admits to be an extremely complicated problem.

Mere average differences in freight rates which reflect natural advantages of location, do not present to the Administrator or the Committee, a clear, complete or fair picture of the competitive situation as between the North and South, nor do they establish discriminatory freight costs against either one or the other textile producing sections. It is self-evident that if the Textile Industry or any other industry in one section, has freight rate advantages to certain markets because of geographical location, like industries in another section, will have freight-rate advantages to other markets for the same natural reason. These freight rate ad-

vantages of one or the other competitive textile producing sections, very largely offset one another as will be hereinafter shown.

Comparative transportation costs on which the information contained on page 9 of the Minority's statement, and on which they rely to prove that a competitive situation exists as between the Textile Industry in the North and South that should be taken into consideration by Industry Committee No. 1, are based on certain data prepared by the manager of the traffic department of southern cotton manufacturers' associations.

In the preparation thereof, the present rates on finished cotton fabrics in the original piece from two representative rate base points in the Northern and Southern competitive sections, to the first twenty-five or thirty largest cities of the country, are used as typical of the general transportation cost situation.

In other words, population, confined to the largest cities in the country, is the primary foundation for the Minority's statements of discriminatory transportation costs against the Southern mills. Obviously, if the element of population is to be considered most important, then it appears but fair and reasonable that large consuming areas or units of population should be used if a more accurate and complete picture of this transportation cost situation is to be had.

Paragraph one on page 9 of the Minority's statement refers to a comparison of the present lowest freight rates from fifty representative origins in the South and from fifty representative origins in New England, to New York City which is stated to be the largest consuming market, apparently because it is the largest city of the country.

Although New York City is contiguous to the New England producing section, which because of the dis-

tance factor, would have a natural advantage in the freight rates thereto, examination of the records will disclose that the Southern mills have not suffered unduly therefrom. Moreover, no longer may a comparison of the competitive freight rates be accepted as the criterion of competitive transportation costs due to the substantial volume of these textile goods moving from the Southern mills to this large New York market by motor-truck at materially lower charges.

Right there, I wish to divert by stating in the Commission decision in I. & S. Docket No. 3636, on page 140, a statement was made that the heart of the rate adjustment on textiles was that to central territory.

With respect to whether or not New York City is at present the largest consuming market for textiles, some doubt appears to arise by reason of the data contained in a recent report of the Domestic Distribution Department Committee, entitled "Distribution, Services and Costs," of the Chamber of Commerce of the United States. On page 9 of this report, which was issued in February, 1939, a Table A shows percentage data concerning the economic activities of the principal areas of the United States.

The percentage figures contained in this table are shown to have been taken from the most recent reports available, issued by the Bureau of Census and the United States Department of Agriculture. An analysis of the figures shown in this table is contained in an Exhibit A, attached hereto.

It will be noted that while the New York area still exceeds the Chicago area by a very small percentage margin for the nation's retail trade, the New York area having 33.7 percent and the Chicago area 32.2 percent thereof, the Chicago trading area has 30.7 percent of the nation's population compared to 28 percent in the New York trading area, and 41.3 percent of the

nation's agricultural products compared with 11.2 percent in the New York area. Of greater importance is the fact that the Chicago area produces 39.2 percent of all manufactured products in the nation and the New York area 36.7 percent thereof.

By Mr. WYZANSKI:

Q. May I interrupt you, Mr. Ferguson? By Exhibit A, you mean Exhibit 26 of the National Association of Cotton Manufacturers?

A. I believe that was the number given to it.

Paragraph two, on page 9 of the Minority's statement, refers to a comparison of the present all-rail and lowest available freight rates from two representative origin points in the East and New England, and two representative points in the South, to the twenty-five largest cities in the United States.

In that list of largest cities is but one located in the South, New Orleans, and six located west of the Mississippi River. Resting solely on the population of the country's twenty-five largest cities, this comparison of freight costs from but four rate base points, does not show a complete or true picture of the present transportation cost situation. No reference is made to the large volume of these textile goods which are moving from Southern mill points by motor truck at materially lower charges, nor does it show the relative importance of these twenty-five largest cities as actual consuming markets of textiles.

Paragraph three on page 9 of the Minority's report is based on another similar comparison of transportations costs via the all-rail routes to alleged important markets, as represented by the thirty largest cities in the United States located east of the Mississippi River. This comparison is subject to the same criticism as that offered to the comparison referred to in paragraph two on page 9 of the Minority's statement.

Diverting there, I wish to point out that inasmuch as the Carolinas have 45.1 percent of the spinning spindles in place in the entire country, it is unfair to confine this comparison to Atlanta, Georgia.

It is true, as stated on page 9 of the Minority's statement, that the foregoing transportation cost information merely illustrates a single aspect of an extremely complicated problem. It is one which we believe cannot be clearly or fairly explained or solved by that kind of transportation cost data submitted in support of the Minority's contention that it is of such importance to the Southern mills in respect to their continued normal operations as to justify any further or special consideration by Industry Committee No. 1 in connection with this uniform minimum wage matter.

We are not convinced that a simple showing of average freight rates unrelated to the actual movements and consumption of these textile goods, presents to the Administrator either an accurate or clear picture of the present competitive transportation cost situation as between the Textile Industry located within the New England and Southern sections, which substantiates the contention of the Minority that the establishment of the recommended uniform minimum hourly wage would cause serious curtailment of employment in the South or any great harm to the Southern mills.

For the Administrator's information, we attach hereto, Exhibit B, which is a statement showing all of the New England states and all of the Southern states having a population of one million or over, according to the 1930 census, their rank in population and the total population of each group. We consider this data of importance in showing the total population of such states in the New England and Southern areas in which the New England mills and the Southern mills have the

greatest natural advantages in the transportation costs of their products consumed in those areas.

As a matter of fact, the Southern mills have a monopoly within their own area because of the substantial transportation cost disadvantages of the New Enland mills. The Textile Industry of the South is centered very largely in the Carolinas. This is indicated in the comparison of the number of spinning spindles in place on April 30, 1939, according to the Bureau of Census report shown in Exhibit C attached hereto.

Q. By Exhibit "C," you mean Exhibit No. 28?

A. Exhibit 28.

Administrator ANDREWS. He mentioned Exhibit B.

By Mr. WYZANSKI:

Q. And by Exhibit B, you meant Exhibit 27?

A. Yes. Quoted in Exhibit 28, I have also shown the active spinning hours for the month of April as to the United States cotton growing states, New England states and all other states, and then separated them as to the five states in New England and the seven states in the south which are called cotton-growing states as well as other states having some mills.

At the hearings before the Interstate Commerce Commission in the Textile Rate Investigation Case in 1932, the principal witness for the Southern carriers testified that in round figures, the percentages of the distribution of all cotton goods produced in the South was as follows:

55% was distributed in the North.
20% was distributed in the South.
25% was distributed in the West.

As a result of the Commission's decision in this Textile Rate Investigation Case, it was stated by Mr. Joseph G. Kerr, Chairman of the Southern Freight Associa-

tion, Atlanta, Ga., before the Subcommittee of the Committee on Interstate Commerce in the United States Senate, in connection with this same alleged freight rate discrimination question, that the rates on textile goods from the South to the North prescribed by the Commission would not average more than five percent higher than those which the Commission prescribed for application thereon within the North.

If it is fair and reasonable for Southern interests in this matter to submit comparisons of average freight rate costs to the largest cities of the country, then we submit that there should be a more complete showing on the basis of population of the larger areas or units to and in which both the New England and the Southern cotton manufacturers have general advantages in transportation costs.

As evidence thereof, there is attached hereto an Exhibit 29 which shows this particular information as definitely as possible by listing all states having a population of one million or over, according to the 1930 census, in which, from a freight rate or transportation standpoint, the New England or the Southern mills have a general advantage. Analysis of this statement will disclose a more accurate and complete picture of the total population of the areas of this country in and to which these two competing textile manufacturing sections have advantages in transportation costs.

The states in which New England mills have the general advantage are New York, Pennsylvania, Michigan, Massachusetts, New Jersey, Maryland, Connecticut, with a total population of 38,591,118.

The states in which the Southern mills have the general advantage are: Illinois, Texas, Missouri, North Carolina, Georgia, Alabama, Tennessee, Kentucky, Iowa, Virginia, Oklahoma, Louisiana, Mississippi, Kansas, Arkansas, South Carolina, West Virginia, Florida,

Nebraska, Colorado, having a total population of 33,536,571.

There are six states, Ohio, California, Indiana, Wisconsin, Minnesota and Washington, which I believe can be properly stated to be divided. That is, the freight cost advantages are divided as between the New England and Southern mills.

Q. Have you a map with you, Mr. Ferguson, which illustrates some of the points which you have been making?

A. I have.

Mr. WYZANSKI. I offer that map as Exhibit No. 30.

Administrator ANDREWS. Who prepared it?

By Mr. WYZANSKI:

Q. Did you prepare it and put the lines on that map?

A. I absolutely did, personally.

Q. The map, otherwise, is a map of the United States, a standard form?

A. Yes.

Mr. WYZANSKI. I offer that as Exhibit No. 30.

Administrator ANDREWS. It will be received.

(National Association of Cotton Manufacturers' Exhibit No. 30, Witness Ferguson, received in evidence.)

By Mr. WYZANSKI:

Q. Will you comment on that map, please?

A. Using actual rates from the two base points at Atlanta and Charlotte, ringing Charlotte in red and Atlanta in blue, I have endeavored to draw a line through the points to which the rates are practically equalized from both the two southern mill points and Boston as the New England base point.

This map, I believe, as outlined will show you a more complete and clear picture of this transportation cost situation. Commencing with a line at Chesapeake Bay just below Washington, this red line is drawn along

and over points at which the rates from Charlotte and Boston are practically equalized. It is not a straight line, as you will note, but it gives you a picture of the territory in which each producing section have freight cost advantages.

The Carolina mills, using Charlotte as the base point, have transportation advantages in every section below that—south of that red line and west of that line with the exception, of course, that there is a division on the Pacific Coast.

Similarly with Atlanta, the blue line gives you the picture of where the dividing line is as between equal transportation costs from the New England area as represented by Boston and the southeastern mills as represented by Atlanta. The southeastern mills have all this territory [indicating] in freight rate cost advantage.

Now, my testimony has been general. I could go into great detail but I did not feel it would do very much good. It is a complicated situation and I wanted to draw a picture which you could look at and get some idea of what this competitive textile cost situation is.

Administrator ANDREWS. Any questions?

Cross-examination by Mr. JOHANSEN:

Q. Mr. Ferguson, you criticized Mr. Cunningham's statement and said, I believe, the truck charges were much less than the rail charges or rail-water charges shown on there?

A. I believe that is true.

Q. Would you give the Administrator the tariff authority for that statement or will you withdraw that statement?

A. What do you mean by tariff authority?

Q. We have to have the tariff authority for those rates. If they are legal rates, they are on file with the Interstate Commerce Commission.

A. That may be true but there are contract rates, as you were told, and common-carrier rates and I have been told in the last month, there is a rate as low as 50 cents from the Carolinas to the New York City market.

Q. That is all the evidence you have?

A. I know that these trucks are coming up in New England as far as Providence.

Q. Contract trucks?

A. They may be contract or common carrier.

Q. If they are common carrier, their rates would be on file, wouldn't they?

A. They would be.

Q. You have no record of the tariffs?

A. I have no record of the tariffs. I haven't them in my file. There is no reason for me to have them.

Q. On Exhibit 29, what origins did you use in preparing that statement?

A. I used that map. The Southern origins are Charlotte and Atlanta.

Q. And you used Boston as your New England point?

A. Yes, the base point.

Q. You would say the Southern mills have an advantage to Chicago, would you?

A. No; I would say this: As to general advantages, that line is drawn through points where the freight costs are equalized, either from Charlotte or Atlanta. Now, naturally, if the rate at Chicago is equalized from all three points, they have equal ability to do business at that point at the same transportation costs.

Q. The Illinois population figure of 7,637,654 does not include Chicago?

A. That includes the entire state. I am giving the population of the whole state.

Q. They are equalized in Chicago but still Chicago is shown as being one of the Southern advantage points?

A. It has most of the state of Illinois.

Q. But it does not have the 3,000,000 people in Chicago, does it?

A. It has equal opportunity to do business in Chicago as the mills in the Boston area.

Q. That is not the question, Mr. Ferguson. You show they have a general advantage.

A. In the state of Illinois; yes.

Q. They do not have a general advantage so far as Chicago is concerned?

A. No. I did not intend to convey that impression.

Q. I am afraid your exhibit will do that unless you correct it.

A. In the first place, I have explained how I have drawn those lines. Those lines are drawn to points at which the costs are equalized. Now, south of that line and west of that line, the Southern mills have their advantages. Naturally, at the line or on the line, their advantages would be equal. There would not be any advantage, one group of mills over the other.

Q. On the second page of your Exhibit 29, you show the state of West Virginia as having a general Southern advantage. Would you say that the Boston rate to Wheeling, West Virginia, is greater than it is from the Southern mills?

A. There is not much difference. It is 88 from Boston and 89 from Charlotte. Of course, as I have said, I have used the word "general" and I think really when you come to compare the different sections, you should use the Carolinas and the New England mills as the larger competitive textile-producing sections.

Q. You say we are equal in California and Washington—South versus New England?

A. I said they are divided. I mean there are instances where the New England mills may have the advantage and there are instances where the Southern

mills have the advantage. I think that was indicated in the exhibit that Mr. Hatch submitted.

Q. Are you speaking of an all-rail adjustment or the cheapest going rates?

A. I refer to both.

Q. You know that the rates to the ports where the population is concentrated on the West Coast are lower from New England?

A. That would be port rates. That might be. The port or strictly dock to dock rates from New England ports might be lower than from the interior mills in the Carolinas or Southeast.

Q. You would say that Minnesota is equal so far as the Northern-Southern rates are concerned?

A. It is one of those states that I say is divided. Now, of course, I have not here attempted to show percentages of that division. The map will illustrate that, what I really mean in connection with that statement.

Q. Your map might be misleading from the standpoint of the area it shows for the South, as if it were weighted for population.

A. That is true. That is one of my criticisms—well, weighted population—I am interested in weighted shipments, weighted as to movements of textile shipments.

Q. Your first exhibit tends to show that Chicago is almost equal in importance with New York, does it not?

A. Yes, it does; except from a retail standpoint, New York is slightly larger in percentage.

Q. That picture is changed somewhat when you read from what the Commission had to say in I. & S. 3636, where 55 percent of the textiles went to the North?

A. That North included, of course, the entire section East of the Mississippi and North of the Ohio River. That is known as official territory.

Q. Putting Chicago on a par with New York overlooks somewhat the garment-manufacturing industry and the export situation?

A. I didn't get that question.

Q. I say putting the two of them on a par as you have attempted to do in Exhibit 26, doesn't that overlook the importance of the garment-manufacturing industry and the export business in New York?

A. I have not given any attention to the export situation.

Mr. JOHANSEN. That is all.

Mr. WYZANSKI. No questions.

(Witness excused.)

TESTIMONY OF HAROLD D. ARNOLD (T. 585)

The witness testified as follows:

Direct examination by Mr. WYZANSKI:

Q. Mr. Arnold, what is your full name?

A. Harold D. Arnold.

Q. What is your address?

A. Fall River, Massachusetts.

Q. With what company or association are you connected?

A. At the present time, I am manager of the Textile Traffic Association in Providence, Rhode Island, and also traffic manager of the Fall River Chamber of Commerce.

Q. Will you tell the Administrator something of your past experience so he may recognize some of your qualifications?

A. Previous to these present positions which I now hold, I was for 23 years the traffic manager of the American Printing Company at Fall River, Massachusetts, which was at the time the largest finisher of cotton goods or textiles in the country under one roof. That plant liquidated in 1935.

Q. Have you a statement prepared?

A. I have.

Q. Will you read it?

A. This part of the testimony in support of the Majority Report and Recommendation of Industry Committee No. 1 for the Textile Industry to the Administrator of the Wage and Hour Division of the United States Department of Labor is directed to the allegations made in the statement of the Minority Report of Industry Committee No. 1 as it relates to transportation costs from representative Southern, New England, and Eastern origins to New York City. These costs will be found on pages 47 and 48 of the Minority Report, hereinafter called the Report. The other tables of comparisons of transportation costs in the Report have been or will be handled by other witnesses.

In this discussion of transportation costs, there is no intention to dispute the policy declaration of the Act or the quotation from Section 8 (b) of the Act appearing on page 7 of the Report. But, if freight rates are among the "economic" or "competitive" conditions or factors which should be considered in this proceeding, then the picture of competitive transportation costs should be shown in its true colors.

Reference to Pages 47 and 48 of the Report shows that rates on *finished* Cotton Fabrics only were used to compare transportation costs and a careful check of the figures thereon proves the rates quoted to be substantially correct. And if finished goods rates were the only consideration involved in competing for business, then New England and the East would have approximately one-half cent per pound advantage over the Southern origins shown in the tabulations. But there are always the rates on the *unfinished* Cotton Fabrics to be considered in combination with the *Finished* goods rates in the determination of relative transportation costs. Then, again, no consideration is given in the Report to the great disparity between the distances from the South to New York City as con-

trasted with the distances from New England and the East origins to New York City.

But, regardless of distances, the correct manner in which to compare these transportation costs is to compute the total charges from origin points where the *unfinished* fabrics are made, through the bleaching or finishing points to ultimate destinations, in this case New York City. If this had been done, then the one-half cent per pound in favor of the New England and East origins of *finished* fabrics to New York City would disappear and the freight advantage appear in favor of the South.

Q. Have you made such a comparison?

A. Yes, sir.

Q. Have you prepared, yourself, an exhibit to show these comparisons?

A. I have.

Mr. WYZANSKI. I offer this Exhibit as Exhibit No. 31.

Administrator ANDREWS. It will be received.

(National Association of Cotton Manufacturers Exhibit Number 31, Witness Arnold, received in evidence.)

By Mr. WYZANSKI:

Q. Will you please explain the Exhibit?

A. Before explaining the Exhibit, something should be said as to the important part transportation costs have in the purchase and finishing of Cotton Fabrics. The cost of transportation is a very important factor in the purchase of that commodity. For example: A converter is in the market for 100,000 yards of a certain construction of unfinished Cotton Fabrics, which goods can be manufactured in mills of either the Northern or Southern sections of the country.

He can have the goods finished in either section. Knowing the cost of finishing in each section, he then

determines the cost of transportation from the point of manufacture to each point of finishing and adds thereto the cost of transportation to ultimate destination.

This *total* cost many times determines the points at which the goods will be bought and finished. In other words, the converter does not consider only the freight cost on the finished goods, but he does figure on the total freight cost from the point of manufacture, through the finishing point, to destination.

In making this exhibit, I have considered only the unfinished cotton fabrics made in the South as it is stated in both the Majority and Minority Reports that about 80 percent of such fabrics are manufactured in the South. As that leaves but 20 percent to be manufactured in all other sections of this country, the 20 percent does not become a factor in this discussion. Of that fraction of 20 percent still remaining in New England and which might be finished in New England, it is conceded that the total freight cost to New York City is and always will be lower than from the South.

The points of origin of unfinished goods and the finishing points in the South shown on the exhibit were selected at random without previous knowledge of what the final showing would be. The City of Fall River, Mass., as a finishing point in New England was selected as it enjoys about the lowest rate on cotton fabrics to New York City of any point in New England or the East, thus showing the lowest combination of transportation costs from New England. When other higher rated points in New England are taken into consideration, the net result is heavily in favor of the manufacture and finishing in the South.

Now, as to the exhibit. It shows but a few of the origins and finishing points in the South, but I believe they are typical and will serve to illustrate my point.

There are so many combinations that could be figured (some of which would probably make a lower and some a higher combination), time would not permit to compile a complete comparison. As stated above, the points were selected at random without prior knowledge of that which they would disclose.

The first item, Hartsville, S. C., to Huntsville, Ala., to New York City shows a higher total freight cost than from Huntsville, Ala., to Hartsville, S. C., or from Huntsville, Ala., to Fall River, Mass., to New York City. But it is not logical or likely that such a movement would be made, as it involves a considerable back haul from Huntsville, Ala., to New York City. The Huntsville to Hartsville combination shows a 4-cent lower total transportation cost than the Huntsville to Fall River combination.

The combination costs from Fitzgerald, Ga., through Hartsville, S. C., and the combination from Fitzgerald through Fall River to New York City are exactly equal. In all other cases, the combination through Fall River is higher, except where there is a back haul involved, such as from Kingsport, Tenn., through Chattanooga, Tenn.

It would seem unnecessary to say more as the exhibit speaks for itself. In this true picture of comparative transportation costs it is plainly evident that the transportation costs from the South are *not* one-half cent per pound higher than from New England and the East. But, rather, the transportation costs from New England and the East are in fact *higher* than from the South. All of these facts were placed before the Interstate Commerce Commission in 1932 in I & S Docket 3636 as a result of which the new rates became effective in 1937. The rates in effect at the time of these hearings and the rates which resulted have not prevented the free flow of the cotton fabrics produced in

the South and they are still moving freely. If any relief from transportation costs is necessary, it is the Textile Industry of New England which merits relief.

This is particularly true of the finishing industry in New England. With 80 percent of the cotton goods of the country manufactured in the South and something less than 50 percent of the finishing industry in the South, it is appallingly clear that if a further freight rate advantage is given the South, more migration of the finishing industry to the South is bound to result, thus creating further unemployment in New England and the East.

I think I should also reiterate what Mr. Harrington said regarding these rates. The rates from the south to New York City quoted on this Exhibit do include the delivery, whereas the rates from Fall River do not. In other words, we have to add the delivery cost to New York to that 26 cents.

Administrator ANDREWS. Any questions?

Cross-examination by Mr. JOHANSEN:

Q. One question, Mr. Arnold, is it?

A. Yes, sir.

Q. You mentioned that the distances were greater from the South?

A. Distances are greater from the South to New York City than from the majority of the points in New England.

Q. You would not have the Administrator take that into consideration, would you, so far as making rates mile for mile are concerned? It says—competitive conditions as effected by transportation costs.

A. You could not expect a parity of rates for a 200-mile haul or from Fall River, about 185 miles, compare that with transportation costs with some place in Georgia or Alabama or South Carolina or North Carolina.

Q. But it says the Administrator is to take into consideration competitive conditions as affected by transportation costs, not their relative position.

A. That is true but in order to finish goods in New England, 80 percent of the goods being manufactured in the South, it is necessary that the greater proportion of the goods finished in New England shall come from the South.

Q. Does Fall River ship any finished cotton piece goods to New York that were not bleached Southern grey goods?

A. Yes, some.

Q. The exhibit here indicates that all that comes from the South.

A. No, this exhibit just shows what I have said, that it is comparing the costs from the Southern origins through the bleacheries to New York.

Mr. JOHANSEN. That is all.

(Witness excused.)

TESTIMONY OF MR. JAMES H. McCANN (T. 593)

The witness testified as follows:

Direct examination by Mr. WYZANSKI:

Q. Mr. McCann, what is your name and your address?

A. James H. McCann, address 833 Park Square Building, Boston, Massachusetts.

Q. What association or company are you connected with?

A. The Associated Industries of Massachusetts.

Q. What is your position with the Associated Industries of Massachusetts? What is your position or title?

A. Transportation Manager.

Q. What experience have you had in the field of transportation?

A. More than 25 years of railroad and industrial traffic experience. For the past 15 years, I have been employed in the transportation department of the Associated Industries, 9 years of that period as assistant transportation manager, and the past four and one-half years as transportation manager.

Q. Have you prepared a statement, Mr. McCann?

A. I have, sir.

Q. In connection with that statement, you propose two Exhibits which you, yourself, have prepared?

A. That is correct.

Mr. WYZANSKI. I offer these two exhibits, Exhibit 32 and 33. Exhibit 32 is entitled "Rates in Cents Per 100 Pounds on Finished Cotton Piece Goods to Western Trunk Line Territory from North and South" and Exhibit 33 is entitled "Rates in Cents per 100 Pounds on Finished Cotton Piece Goods to Central Territory from North and South."

Administrator ANDREWS. All right.

(National Association of Cotton Manufacturers Exhibits Numbers 32 and 33, Witness McCann, received in evidence.)

By Mr. WYZANSKI:

Q. Do you want to read your statement?

A. Yes, sir. The statement of the Minority contains the assertion, as illustrative in part of the competitive situation between the North and the South, that the transportation cost, via standard all-rail routes, from Atlanta, the recognized base group point in Southern mill territory, and from Boston, the recognized base group point in New England mill territory, to the 30 largest cities east of the Mississippi River, is 14 cents per 100 pounds higher from Atlanta than from Boston.

In support thereof the Minority has attached to its report a table comparing the rates on finished cotton

fabrics, and the distances, from Boston and Atlanta to these thirty cities.

They have been arranged in the order of their size according to the population figures obtained from the 1930 census.

That census shows that there were 93 cities in the United States with population of 100,000 or more. An analysis of the location of these cities discloses that 26 are west, and 67 east, of the Mississippi River. Furthermore, of those east of the Mississippi, 10 are in the southern and 57 in the northern states.

It is obvious that an arrangement such as made in this instance according to population involves predominantly the northern cities. It will be observed that only four southern cities are thus included in the list: Atlanta, Birmingham, Memphis, and New Orleans. The other 26 points are located throughout the northern states from seaboard to the Mississippi River. Substantially therefore this table is a comparison of rates from Boston and Atlanta to that section designated in transportation terminology as Official territory.

This territory is subdivided into three subterritories. Those are New England; trunk-line territory, which extends westward from the eastern boundary of New York State to such cities as Buffalo, N. Y., Pittsburgh, Pa., Wheeling and Charleston, West Virginia, known as the western termini; and Central Freight Association territory, referred to as central territory, extending from the western termini to the Mississippi River.

Nine of the ten largest cities in the country are in this northern section, of which four are in trunk-line territory, four in central territory, and one in New England. Likewise, of twenty of the thirty largest cities, nine are in trunk-line territory, ten in central territory, and one in New England. It should be noted

that the 26 northern cities used in this comparison are located, three in New England, eleven in trunk-line, and twelve in central territory. In other words, the majority of them are an average of approximately 320 miles from Boston, many within relatively short hauls.

Particular attention is called to the fact that, aside from Boston, the two New England cities listed as important markets are Providence and Worcester, each 44 miles from the New England basing point. To these two cities are attributed 174 cents of Boston's advantage in transportation costs as compared with Atlanta. Three cities in trunk-line territory, New York City, Newark, and Jersey City, each shown as 247 miles from Boston, account for 167 cents of Boston's lower transportation costs as set forth in the table. Two other trunk-line cities, Philadelphia 328 miles and Syracuse 334 miles from Boston, are shown as having a combined transportation cost of 98 cents lower from Boston than from Atlanta. The lower transportation costs from Boston to these seven New England and trunk-line cities, plus Boston's assumed advantage of 116 cents, aggregate 555 cents of the 803 cents total.

Four other trunk-line points are listed, Baltimore, Buffalo, Washington, and Rochester, whose distances range from 408 to 475 miles from Boston, for which similar comment is applicable. Those cities, according to the tabulation, have a total advantage in Boston's favor of 149 cents. Thus, 12 New England and trunk-line points, all within an area of 475 miles from Boston, comprise 704 of Boston's 803 cents lower transportation costs. On the other hand, excluding Atlanta, the only three Southern cities named as important markets are Birmingham, Memphis, and New Orleans, 166, 417, and 490 miles respectively from Atlanta.

The competitive situation is not accurately displayed when a large number of the destinations selected, char-

acterized as important markets, are in such close proximity to one of the two producing areas on which the comparisons are based. It is inevitable their nearness to the one will be reflected in the rates, creating an apparent advantage in transportation charges.

An illustration of this kind fails to recognize or place any importance on the offsetting disadvantage which the seemingly more favored producing area encounters, as in this instance, in the long haul of its important raw materials. Furthermore, as a base group point, Boston has a different and less significance when used in connection with the rates for shorter distances than it assumes when used in connection with long-haul rates.

The population of the cities involved may indicate in some measure their importance from the viewpoint of consuming markets, but this factor cannot properly be considered as a determinant one in the light of the many elements entering into the distribution and marketing of textiles.

In contrast with the situation as it appears with relation to transportation costs from New England mill territory to points within relatively short hauls, a different picture is presented when the twelve central territory points are considered. These points are all in what may be termed long haul areas from both basing points.

It is pertinent to remark here that the average rates to these twelve cities are 98 cents from Atlanta and 99 cents from Boston. In dealing with the matter of all-rail comparisons from the South and the North to Official territory, the Interstate Commerce Commission in the Textile Freight Rate case, 211 I. C. C. 739, 740, stated:

> Another fundamental question is the portion of official territory to which we should go to obtain a base for all-rail rate comparisons. All-rail rates are not of equal importance throughout the

whole of official and southern territories. In the East, and especially to the seaboard, the influence of water competition is controlling, and most of the traffic moves in part by water.

The motor truck has become an additional factor in the handling of this traffic to and from the ports and inland from the seaboard, but its effect is not yet experienced appreciably on the longer hauls from New England and the South to central territory. There are few large markets between the seaboard and the border of central territory.

It is to central territory, with its large cities, that the traffic moves predominantly all rail, and the rates to this market are those which the opposing interests have had in contemplation from the beginning. The heart of the case is the adjustment from the North and South to central territory, and the rates to that territory which should control determination of the issue of relation.

In that proceeding, to illustrate the rate situation at points throughout central territory from Youngstown, Ohio, to St. Louis, Missouri, which the parties used as representative, Boston was taken as representative of the New England group, and Atlanta, Columbus, Spartansburg, and Greensboro were taken as Southern origin points. Using the same origin and destinations, we have compiled the present rates on finished cotton piece goods, together with the average distances and average rates.

At this point, may I offer this Exhibit 32?

Q. I think the Exhibit is already technically in, but you may refer to it.

A. It will be noted from Exhibit No. 32 that, as compared with Boston, the average rate from Atlanta is lower; from Columbia, higher; from Spartanburg, the same; from Charlotte, higher; and from Greensboro, lower. From three Southern origins the average rate

is the same as or lower than the Boston average, and in the other two instances, higher. The average rate from the five Southern origins is the same as that from Boston.

That this parity of rates is not as favorable to New England as it appears is evidenced at page 755 of the same report where the Commission said:

> The situation of the northern finisher becomes increasingly difficult as progression in destinations is made westward. As he obtains the bulk of his materials from the south, his rate disadvantage necessarily becomes greater with the increase in distance to his market. To a considerable portion of central territory the haul from a grey-goods mill in the South through a finishing point in New England is twice the distance of the haul to the same destination through a southern finishing point.

There are important markets west of the Mississippi in what is known as Western Trunk-line Territory. For instance, Kansas City, Missouri, and Minneapolis, Minnesota, each have a population greater than the population of the majority of the thirty cities east of the Mississippi River already referred to.

Important markets for cotton factory products are located in the territory west of the Mississippi River, particularly in what is known as western trunk-line territory. In a manner similar to that employed in connection with the rates from the North and the South to central territory, we have compiled corresponding data pertaining to Des Moines, Kansas City, Omaha, and Minneapolis.

It will be noted from Exhibit 33 that the average rate on finished cotton piece goods to these four destination cities is $1.61 from Boston and $1.47, $1.51, $1.54, and $1.58, and $1.47, respectively from Atlanta, Columbus, Spartanburg, S. C., Charlotte, N. C., and Greens-

boro, N. C.; the average rate is $1.51 as compared with the average of $1.61 from Boston.

That completes my direct testimony.

Administrator ANDREWS. Any questions, please?

Mr. JOHANSEN. Yes.

Cross examination by Mr. JOHANSEN:

Q. Mr. McCann, the Boston rates you used to Central and to Western Trunk Line Territory, you do not know of any higher rates than those from Boston, do you?

A. Yes, the Maine points.

Q. I am talking about the Boston rates themselves, the all-rail rate.

A. Yes.

Q. Do you know of lower rates that apply?

A. There are lower all-rail differential rates in effect all the year around.

Q. You use Central Territory because you considered it more important than Trunk Line Territory on your Exhibit 32?

A. Partly, yes; and partly to show the picture to the important Central Territory as a whole from the standpoint of average rates.

Q. You mentioned cities, 100,000 or over throughout the United States and their distribution, I believe?

A. I mentioned the fact that the 1930 Census shows that there were 93 cities in the United States with a population of 100,000 or more.

Q. Have you ever made a check of the rates to those points from Boston and from Atlanta?

A. Not to the entire 93 cities.

Q. Would you be surprised to find out that the Atlanta rate is 22 percent higher than the Boston rate to every one of those points, as an average?

A. Will you repeat that, please?

Q. I say, would you be surprised to find out that the Atlanta rate to every one of these points averages 22 percent higher?

A. I don't know how to comment on that, not having made any study of it.

Mr. JOHANSEN. That is all.

Administrator ANDREWS. Any other questions?

Mr. WYZANSKI. No questions.

(Witness excused.)

Mr. WYZANSKI. Mr. Administrator, although I would like to reserve the right to put on another witness tomorrow morning if it turns out there is some point I want to cover further, my present view is the case of the National Association of Cotton Manufacturers is complete.

Administrator ANDREWS. We will adjourn until 10:15 tomorrow morning.

(Whereupon, at 3:30 o'clock, the hearing was adjourned to reconvene at 10:15 o'clock a. m. Thursday, June 22, 1939.)

GEORGE BALDANZI,

Direct Examination.

By Mr. Abt:

Q. Will you state your full name, please?

A. George Baldanzi.

Q. Where do you reside?

A. In Paterson, New Jersey.

Q. What is your position or occupation?

A. Executive Vice President of the Textile Workers Union of America.

Q. How long have you held that position?

A. Since May.

Q. And was it in May that the Textile Workers Union of America was first organized?

A. That is correct.

Q. At that time, what was your position?

A. President of the United Textile Workers of America.

Q. How long did you hold that position?

A. Around six or seven months.

Q. Prior to the time that you became President of the United Textile Workers of America, what was your position?

A. Vice President.

Q. Now, can you state briefly, Mr. Baldanzi, what your experience in the textile industry has been?

A. Well, prior to that time, I was the President of the Federation of Dyers, and prior to that time, I worked in the dyeing and finishing plant for seven years in the City of Paterson.

Q. Is the Federation of Dyers one of the constituents or was it of the United Textile Workers of America?

A. It is.

Q. Has your textile experience been confined to dyeing or have you had general experience in the textile industry?

A. No, as a result of the position that I held with the United Textile Workers of America, I had occasion to confine my activities to practically every division of the textile industry in all sections of the country.

Q. Have you had occasion to travel?

A. Traveled extensively in the southern parts, north and west and also the eastern parts.

Q. You are appearing here today in support of the Committee's recommendation, are you not, Mr. Baldanzi?

A. That is right.

Q. Do you have with you a prepared statement which you would like to read?

A. I have.

Q. Will you proceed.

A. The Textile Workers Union of America appears here on behalf of the textile workers of this country to urge the adoption of the recommendation of the Committee. The Textile Workers Union of America is the representative of 274,000 workers in 1,018 establishments in the textile industry for whom it has secured collective agreements or obtained exclusive bargaining rights through Labor Board elections, and of some 100,000 additional workers in hundreds of other textile plants which it is now organizing. This mighty army of organized textile workers resides in 32 states of the union and works in every section of the textile industry. The union has collective agreements with employers in each branch of the industry covered by the Administrator's definition.

We strongly urged the adoption of the forty cents minimum wage in our presentation before Industry Committee No. 1. Our representatives who appeared at the hearings offered voluminous testimony to support the conclusion that the industry can well afford to pay and that the health, well-being and efficiency of the workers required not less than 40 cents minimum. Our representatives on the committee, voicing the conviction of our organization and the workers in the industry, voted for the establish-

ment of a 40 cents minimum and concurred in the 32½ cents recommendation only when it became apparent that no higher minimum could recruit the support of a majority of the members of the committee.

We appear today in support of the present proposal for 32½ cents, not because we believe that it is adequate, but because we bow to the judgment of the majority of the committee that it should be taken as a first step in the progressive realization of the forty cent minimum.

Q. May I interrupt you? Has the Textile Workers Union of America taken any action with respect to the Committee recommendation of 32½ cents an hour minimum?

A. At our convention held in the City of Philadelphia during the week of the 15th of May, the convention, itself, passed a resolution unanimously to concur in the adoption of the 32½ cent minimum. I might add further that at that convention, there was in the neighborhood of 750 delegates from 32 states of the Union.

Q. And that represented the entire industry of textile workers?

A. Yes.

Q. Proceed.

A. Certainly, no lower wage could have been recommended by the Committee without violating the mandate of the law to realize the forty cent minimum "as rapidly as is economically feasible," or without defeating its declared purpose to eliminate "labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency and general well-being of workers."

It is equally clear that this minimum is well within the limitations which Congress placed on industry committee action: "It will not curtail employment substantially *or otherwise*. On the contrary, by giving the industry a semblance of stability, which it has not enjoyed in recent years, except for the brief NRA period, this minimum wage will actually serve to increase *employment*.

The recommended minimum wage is a most modest proposal. It will have little or no effect in major portions of the industry. Its result at most will be to bring into line chiselers who have dragged down the wage scale in their respective branches.

A quick survey of the prevailing wages in several branches of the industry as indicated by the rates of pay in organized mills shows the following: the minimum in the silk and rayon weaving industry is between 35 and 40 cents, in the throwing industry between 32½ and 37½ cents and in the rayon dyeing and finishing industry, 48 cents for women and 66 cents for men. In these industries the wages of most workers are substantially above the minimum. The United States Bureau of Labor Statistics reports the present average hourly earnings for the silk and rayon industry at 42.2 cents; the average hourly earnings in the silk and rayon dyeing and finishing industry for predominantly rayon fabrics at 64.6 cents, for predominantly silk fabrics at 64.7 cents and for rayon and silk yarns at 59.5 cents. Only employers in these branches of the industry who pay sub-standard wages would be affected by the proposed minimum.

In the cordage and twine industry, union agreements generally establish minima of 40 cents or more. In the jute and linen industries, union contracts provide for a minimum of 37½ cents.

In the bag industry, minima range from 40 cents for women to 50 cents for men. In the bandage and surgical gauze industry, the minima are 35 to 40 cents, in the dishcloth scrubbing and wash cloths industry, organized mills pay at least 35 cents.

In the cotton textile industry itself, organized mills pay at least 34.4 cents in the North. Slightly higher rates are paid in many of the narrow fabric mills. In the cotton finishing industry in the North, minima range from 45 cents and upwards.

The United States Bureau of Labor Statistics found that average hourly earnings were 48.2 cents in exclusive cotton fabric finishing plants and 46.2 cents in cotton yarn dye and finishing plants.

The above analysis of prevailing wage conditions in various sections of the industry corroborate our conclusion that most branches will not be affected. Only the sub-standard employers paying wages far below those prevailing in their branches of the industry will have to raise wages. In some branches such as dyeing and finishing, it will not even have this effect since the prevailing minima are so far above the proposal that even sub-standard plants pay this rate.

The only major section of the industry which will experience any effect at all general in its scope will be the southern cotton textile industry which employs about 277,000 employees of the total of 650,000 persons in the textile industry as defined by the Administrator.

The proposed minimum will by no means affect all Southern cotton mills. Many concerns in the South are paying minimum wages of 35 cents or more. It may be estimated on the basis of the studies of the United States Bureau of Labor Statistics that about 45 per cent of the employees in the cotton textile industry are in plants in which the total wage increase as a result of the 32½ cents minimum will be less than 2 per cent of the total payroll, which is a negligible sum.

The total increase in the wage bill of the southern cotton textile industry as a whole will not exceed 6.25 per cent, including allowances for increases likely to result from the adjustment of wages above the minimum. But a large part of this increase, 4.1 per cent, will be required to bring wages from their present level up to the 30 cent minimum, which became mandatory on October 24 without Committee action.

The net effects, therefore, of raising wages to 32½ cents in the South would be to add 2.15 per cent to the total

payroll which the South will, in any event, have to meet after October 24. This is a small price to pay for the constructive economic and human results which will be achieved.

Eighty-five per cent of the employees in the southern cotton textile industry are in plants in which the percentage increase in the present payroll, including adjustments for wages above the minimum, will be less than six per cent. Only 7 percent of the employees are in plants in which the increase will exceed ten percent.

Thus, the principal cost of raising the prevailing wage level from 30 to 32½ cents in the southern cotton industry will be borne by a relatively small proportion of the plants, employing about 7 percent of the southern cotton textile employees who are now receiving unconscionably low wages.

The effect on the remainder of the southern cotton textile industry will be almost negligible.

The southern cotton textile industry has proved in the past that it can pay the proposed 32½ cent minimum wage. Its protestations to the contrary are belied by history. In the Spring of 1937, the southern cotton textile employers raised wages by ten per cent above the standards established under the NRA. As a result, the prevailing minima in the South became 33 cents per hour.

Only the chiseling concerns paid less. This minimum was maintained until May of 1938. The economic recession during the latter part of 1937 and the first half of 1938 gave rise to the old competitive pressures which, as so often in the past undermined the prevailing wage structure.

Initially, wages were reduced in the Northern cotton textile industry so that the minimum fell from 39.3 cents to 34.4 cents. The southern cotton textile employers were at first reluctant to follow. They protested that they preferred to maintain their 33 cent minima despite the wage reductions in the North.

The representative of the Cotton Manufacturers' Association of South Carolina declared in March 1938, that he had made an investigation of the southern mills and had found that there was "not the slightest inclination to reduce wages. No one contemplates such a step. In fact, they were all unanimous in the statement that southern mills probably would not reduce wages."

Leaders in the textile industry bemoaned the wage reduction. The "Textile World," the leading spokesman of manufacturers' opinions declared that "a 10 percent or a 12½ per cent cut in an industry such as cotton goods manufacture would not only be ineffective as a stimulus to greater consumption, but actually would paralyze buying still more by reinjecting wage cutting as a competitive weapon and thereby destroy any semblance of stability. We believe that the best interests of the textile industry would be served by the restoration of such cuts as have been made and by the abandonment of that method as a way out."

Q. That was all quotation?
A. Yes, by the spokesman of the Textile World.

Thus, the wage reductions of spring 1938 were not the result of any fundamental economic weakness of the industry but came solely of competitive pressure. The irresponsible conduct of certain mills weakened the whole wage structure. The leaders of the cotton industry wavered and then fell in the face of low wage competition.

In the light of this recent experience, we are amazed to note that some of these leaders reject a minimum wage proposal which will protect them from this type of competition in the future.

We believe that the industry today is in a position to restore the wage reduction of 1938, because it is one of the very few which reduced wages during the last depression. A survey of some 94 manufacturing and non-

manufacturing industries indicates that 71 made no reductions and that 45 actually increased wages 5 per cent or more. The least that the industry can be expected to do is to restore wages to their former levels, and thus regain its by no means enviable position in the heirarchy of American industry.

An increase in wages to the 32½ cent minima is more than justfied merely on the basis of increase in the productivity of the textile workers since 1933. The NRA code set a 30 cents minimum for the Southern branch of the industry with profuse apologies for the inadequacy of that wage. Since 1933, marked changes have occurred in the productivity of workers per man hour.

The United States Bureau of Labor Statistics estimates that between 1933 and 1937, cotton textile productivity per man hour increased 23 per cent. Marked changes have occurred in the equipment of the industry. Long draft roving and spinning is being widely introduced; new automatic speedy looms are being widely adopted; one process pickers are replacing the longer picking process; high speed warpers are being substituted for the longer and costlier processes. These and other improvements are increasing man-hour production.

In addition, employers are everywhere bringing in outside engineers to supplement the activities of their own time study men and superintendents to increase workloads. Everywhere textile workers are faced with the problem of increasing workloads without increased compensation.

Every type of piece work and incentive wage system, including the infamous "bedaux," point and unit systems are being applied to drive the workers to speeeds that overtax human endurance. Fatigue allowances are omitted; rest periods are never provided; personal time is being granted begrudgingly. Employers everywhere, under the guise of "scientific" job studies and complicated mathematical formulae for determining wages, are making the jobs of the textile workers more and more difficult,

more and more monotonous; less varied and more exhausting.

Mechanical improvements are not easing the worker's job. They are making it more taxing as speeds increase and work assignments are made heavier. Industry cannot continue to prosper unless it permits labor to share in increased productivity.

The Textile Workers Union of America insists in each mill in which it has secured collective bargaining rights that there be a moderate job assignment, higher wages as productivity increases and job security. The competitive forces in the industry have deprived unorganized workers of these guarantees. It is one function of the Fair Labor Standards Act to grant the workers at least a part of the benefits of the industry's increased productivity.

The observed technological changes since 1933 which have increased man-hour productivity of 23 per cent would have justified a minimum of 36 cents even if we accept the NRA Southern minimum as adequate in 1933. All that is being requested is 32½ cents. It is most modest. It assures the industry the lion's share of these technological advances.

Moreover, the increased productivity of the better fed worker will compensate the employer in part for the increases in the minimum and moderate the resulting effect on the labor cost.

Our union experiences show that it is a mistake to suppose that low wages retard technological changes. Improvements in machinery are being introduced by low wage as well as high wage plants. Competition is so keen that changes are being constantly made. No textile concern can remain competitive if it is markedly inefficient. If the proposed minimum is not adopted, these changes will continue, but labor will be deprived of its share in the benefits of increased productivity.

The experiences of the industry under the NRA offer further convincing evidence that the proposed minimum

can be absorbed. Under the NRA, the industry was required to increase its wage bill by 63 per cent. In addition, it had to face other cost increases in the form of a shorter work week; new overhead costs, new shift limitations; a processing tax; and a rise in the price of cotton. Wholesale prices of cotton goods increased by 60 percent between 1932 and 1934.

Despite these tremendous expansions in cost, the industry operated successfully. Companies which had been reporting staggering losses came into the black. The consumer absorbed the price increases; volume of sales expanded; profits improved, and employment increased. The proposed 32½ cents minimum represents only one twelfth of the increase in wages in the South made during the NRA. None of the other added costs of 1933 exist today. Surely, this very modest increase can be easily absorbed.

Moreover, the moment is propitious for such absorption. Prices are low. Price increases appear to be in the offing. Increases in the price of print cloth and accordingly in mill margins more than enough to offset the wage increases can be made without raising prices beyond the ordinary range of market price fluctuations.

This conclusion is confirmed by the fact that the effect of the proposed minimum on price will be small. The Economc Section of the Wage and Hour Division estimates that the full increases, resulting from the proposed 32½ cents minimum would affect the present cost of manufacturing by 1.44 per cent for the entire cotton industry and 2.25 per cent for its Southern division.

The increase in manufacturing cost likely to result simply from the increase of wages from the mandatory October minimum of 30 cents to 32½ cents would thus be .76 per cent for the entire industry and .76 per cent for the Southern divisions of the industry. These are negligible increases in total costs, picayune in comparison to those successfully experienced during the NRA period.

Moreover, most cotton goods are converted either into

wearing apparel which absorbs about 40 percent; household effects, which absorbs 20 percent or industrial agricultural occupations which again absorb about 40 percent. The original increases in cost will thus have no appreciable effect when translated into the final selling price of the finished product.

No price increase conceivable as a result of the 32½ cent minimum can have any effect on consumer demand. In fact, the United States Department of Agriculture, Bureau of Agricultural Economics, found that even the processing tax which raised the price of cotton by four cents per pound or 50 per cent, did not materially affect consumption.

Since the Committee's proposal, if adopted, will not decrease consumption, it cannot curtail employment. Nor will it materially disturb existing competitive relations. It will not eliminate, as some protest, existing sectional wage differentials.

In the cotton textile industry, the prevailing minimum in the Northern mills is 34.4 cents. The proposed minimum of 32½ cents will result in an actual differential of approximately 2 cents per hour. Moreover, this differential will increase when organized labor realizes its demands for the restoration of the wage reductions of January 1938.

In addition, the changes in wages above the minimum assumed in our wage estimates will follow only if employers willingly concede them or if the union is there to enforce them. Our experience during the NRA convinces us that many employers will attempt to escape these adjustments. Further, the greatest disparity between the high and the low wage areas exists in the semi-skilled and skilled brackets. These will continue. We concur in the estimate that even if the average hourly earnings in the South rise as high as 38.9 cents there will still be a differential of about 6.4 cents per hour between the Northern and Southern textile industries.

The Southern Cotton textile industry enjoys a sufficient number of advantages to justify the adoption of a nominal parity in wages at the minimum even though such a uniform legal minimum will not result in an actual parity in labor costs. Any minimum below the proposed 32½ cents will have no stabilizing effect on industry.

A lower minimum will invite price cutting and further chaos and would upset the existing price structure. Many of the producers who are paying higher wages are fearful of the competition from the low wage producers. A lower minimum would induce them to seek wage reductions. Labor is prepared to resist such efforts and labor unrest will follow.

Thus, there are compelling industrial reasons for the adoption of this modest proposal. There are far reaching social and economic reasons as well. In the first place, the cost of living of the workers in this country has risen some 14 per cent since the adoption of the NRA code with its 30 cent Southern minimum.

In and of itself, this increased cost creates an automatic need for and justification of a minimum of not less than 34.2 cents in the Southern states. It should be noted in addition that the cost of living in the South, according to a survey made by the U. S. Bureau of Labor Statistics, appears to have risen more than in the North.

Moreover, the full time weekly earnings of the cotton textile workers are now lower than they were in the twenties. In March 1939, the average full time weekly earnings were $15.40. In the year 1920, they were $24.86 and in the year 1922, they were $19.72. During the years 1926 to 1930, they declined to $17.38. Wages now are not enough to maintain the full time earnings which prevailed during the period when wages were continuously declining. The proposed minimum would result in average weekly earnings for the Southern cotton textile workers as a whole of less than $16.00 a week. Thus, the proposed minimum will not even restore the lowest weekly earnings of the twenties.

The proposed minimum will not approximate any approved minimum standard budget, whether on the maintenance or emergency level. Cotton textile workers are living deep down in the poverty levels. The Act demands that wages be brought to a level which is necessary for health, efficiency and general well-being.

Certainly, the proposed $13.00 minimum wage will not furnish this modicum of adequacy. We are concerned here with the wages of an adult, who has to be self-supporting and possibly support other members of the family or contribute to the family purse to help maintain dependents.

The earnings of each worker are more important to the family than ever, since children happily can no longer be employed before the age of sixteeen years, and employment for workers after forty or forty-five is difficult or impossible to secure.

The textile worker has a real responsibility for his kinfolk. Even the adoption of the proposed minimum will not permit him to discharge that obligation properly.

The proposal is not enough to meet the budgets which have been established by the Works Progress Administration as necessary even for emergency living. It falls short of the amount needed for a maintenance budget. Assuming a fifty-week work year, which has not been a reality for textile workers at least for a decade, it would be necessary to earn $17.37 per week to maintain an emergency level of living and $24.24 to enjoy a maintenance level.

The emergency budget, which will continue to be beyond the reach of the average textile worker, is—as its name implies—a level of living which cannot be long experienced without serious physical consequences. How then can the propriety of a minimum wage which does not even assure such a living standard be open to serious question in America today?

Fortunately for the future of democracy in America, cotton textiles is not typical of American industry. On the contrary, it is one of the lowest paying industries in

the country. While the average hourly earnings for all industry is 65 cents, the average for the cotton textile industry is 38.4 cents. The Committee's proposal thus represents only the most modest step toward raising the income of textile workers toward the level which has been reached by their fellow workers.

The Fair Labor Standards Act was passed in recognition of the fact that the nation's industrial system must be kept in balance; that income cannot be disproportionately diverted to savings and over-expanded productive machinery at the expense of living standards of great blocks of the population.

As Dr. Isador Lubin pointed out in hearings before the "Temporary National Economic Committee" American industry, geared to large scale production and consumption, "cannot maintain itself from the proceeds of sales to that portion of our families who have incomes of more than $5,000." There are but 807,000 of these families in the nation, forming only 2.7 per cent of the total number. To find a full market for the products of American industry, he indicated that the incomes of some 16 million families now getting below $1250 annually must be raised.

Expansion of these basic incomes will open up this dormant market, swell the nation's total income, and permit industry to operate nearly at its maximum capacity with the result that standards of living would go up, industry and capital would be fully employed, and cost of production would drop in proportion to increased volume. As increased production would absorb workers, our national and local debt would, of course, diminish.

Dr. Lubin's analysis is peculiarly applicable to the textile industry. Recent surveys cited in the Bureau of Labor Statistics Bulletin 663 indicate definitely the unfilled needs of our population for textiles. The potential demand to maintain a level of living sufficient to insure health and an adequate social adjustment in wage earn-

ing and farm communities calls for a 25 per cent increase over the amount consumed in 1939. The only way in which this consumption can be increased is through increases in the lowest wage brackets. The 32½ cents minimum is a first—even if a faltering—step in this direction.

The industry is in duty bound to accept this minimum both as its contribution to the national economy and for its own salvation. Too long have the textile workers been made the scapegoats of the ruthless and destructive competitive warfare which has ravaged the textile industry. That warfare has bankrupted whole communities and sapped the lifeblood of others; it has created areas in which poverty prevails, where the people are without the promise or even the hope of an American standard of living. And to what purpose? For if this warfare is much longer continued, it bids fair to destroy the combatants themselves.

The proposed 32½ cents minimum offers the first hope of a truce. Only blind indifference to the lot of the textile workers and to the fate of the whole industry can dictate opposition to this measure.

In the name of all textile workers, we, therefore, urge the Administrator to approve this first essential step in their rehabilitation and in the reconstruction of their industry. We further urge that he reconvene the committee at the earliest possible date after this minimum has been absorbed to consider increases to a higher level so that we may shortly realize the full statutory minimum for the textile industries.

Administrator Andrews:

Any questions?

By Mr. Abt:

Q. Mr. Baldanzi, I want to read to you a portion of Section 8 of the Fair Labor Standards Act and ask you

a question based on that sub-section. The sub-section reads, in part, as follows:

"Orders issued under this section shall define the industries and classifications therein to which they are to apply, and shall contain such terms and conditions as the Administrator finds necessary to carry out the purposes of such orders, to prevent the circumvention or evasion thereof, and to safeguard the minimum wage rates established therein."

Now, on the basis of your experience in the textile industry, in your opinion, if the Administrator approves and issues an Order on the 32½ cent minimum, should that Order contain any further terms or provisions to—within the language of the statute—prevent "the circumvention or evasion thereof and to safeguard the minimum wage rates established therein"?

A. It is my opinion that the Act should have some measure or some provision—

Q. (Interposing.) The Order you mean?

A. The Order, to safeguard the workers from the possibility of having employers adopt what we term in many mills the split shift, where they will have workers appear to work in the mornings and possibly send them home and have them come back again as a result that they may be in the mill or be available for duty in the mill fifteen hours before they are permitted to work an eight-hour day.

Also that there is no provision to pay a worker for waiting time if he must wait which is customary today that in many shops, workers have to punch their clock or report off when the work is not available for them, and as a result of that practice, there are many employees who remain in the mill ten and twelve hours in order to

work eight and there is a possibility that this same group of employers who have brought about this situation we are discussing, will make attempts to get around the provision of the Order in that manner by creating split shifts and also not paying for waiting time and also not giving them rest periods or matters of that sort.

Q. You mean rest periods which are not paid for?

A. Yes.

Q. And in the case of lunch hours, what is the present custom in the industry?

A. There are many customs. In many places, they work without lunch periods and in many cases they give them lunch periods, but in most cases, they work right through without stopping for lunch.

Q. Now, from your observation of the industry, is it a fact that practice of the split shift, the failure to pay for waiting time or while waiting for the repair of machinery, failure to pay for rest periods and the other practices which you describe are prevalent?

A. I would say yes.

Q. Are they prevalent throughout the industry or only in the case of certain employers?

A. Not throughout the industry; certain employers have, as indicated by their wage structures, used every method possible to cut their costs at the expense of labor.

Q. In your opinion, would the adoption of a 32½ cent minimum wage create any further incentive for the adoption or greater spread of such practices?

A. In my opinion, it would intensify the intent.

Q. What is the practice of the Textile Workers Union of America in negotiating collective bargaining agreements with respect to the practices you have recited?

A. We attempt to insert provisions in our agreement that will eliminate that evil. In many of our agreements, we have that.

Q. Do you encounter in negotiating agreements and in attempting to include in them prohibitions against such practices, arguments on the part of the employers against the inclusion of such prohibitions?

A. We do.

Q. What is the basis of that argument?

A. They have many bases for them. We haven't yet been able to find one that had a sound argument why he wanted that.

Q. Do any of those employers refuse to insert such provisions on the grounds that their competitors whom you have not yet organized are free to and do enjoy such practices?

A. They interpret this, that it is a further restriction, they term it, that the employers who have no labor organization in their mills don't have to put up with, so to speak, and they have used that in many cases where they are continuously saying that the Union wants to impose conditions upon them that will affect them where many other plants that are not organized don't have to deal with these problems, but I might say in many, we find that the large majority of the employers, I might say the responsible employers in the industry, have no objections to the insertion of such provisions in the agreement.

Q. Do you think that the absence of such protective provisions in the Order would in any way jeopardize the minimum wage established under that Order?

A. My opinion is that even as applying the minimum wage that the condition that prevails has been brought about by a minority in the industry and that if some safeguard is not provided, it may in itself tear down whatever advantage, competitively speaking, the establishment of this minimum wage will have upon the industry, and, from the point of view of stability, they may get around the establishment of a 32½ cent wage by the establishment of such practice.

Q. I want to refresh your memory on the question of a worker reporting to work and then being sent home without being given any work for that day. Is that a common practice?

A. That has been the practice in many, many establishments.

Q. What is the policy of the Textile Workers Union of America?

A. The policy of the Textile Workers Union of America has been and is today and we have been able to insert in many of our collective bargaining agreements certain provisions that where a worker has been asked to report to work and he reports for work and is sent home, that he be paid. In some cases, we have sections for two hours and in other places, as high as four hours, either be paid or be given that many hours of work to compensate him for whatever expenses he may have entailed for coming there, preparing his lunch or paying his carfare and so forth and that has tended to eliminate that practice to a great degree where we have organization, but where they don't have it, that is another story.

Q. In your opinion, should the wage order issued by the Administrator contain any provision with respect to that situation?

A. It wouldn't do any harm.

Q. Would it do any good?

A. It would do a lot of good.

Q. Now, there is one further question I want to ask you on another subject, Mr. Baldanzi, and this is going to be rather a long question and it may appear to you to be a highly hypothetical question, but I would like you to give it your most mature consideration, before you answer it.

When Mr. Tolles was testifying here the other day, he produced a chart which I think was Committee's Exhibit

7, and that chart showed that in August, 1938, some five, if I recall correctly, of the Southern cotton textile mills, have average hourly wages of 20 and 25 cents an hour.

Now, I want you to assume a mill which in August, 1938, had average hourly earnings of 20 cents, and I want to tell you a little bit more about that mill, so you can have all the facts before you when you reply to my question.

Let us assume that that mill is located in the South and in a small town in the South, and that that mill represents the only industry in that small town. Unfortunately, that mill has served as the kindergarten and the college of all the workers whom it employs, so that none of them have any training to go into any other industry. That mill is located in what is known as a marginal agricultural area, what the Farm Security Administration refers to as a rural slum so that the land cannot support those textile workers, if they lose their jobs.

The mill, itself, is what has been referred to here as a marginal mill and the other day, we had from Mr. Taylor a definition of a marginal mill. A marginal mill, under that definition, is a mill which lies on the rail or edge between profit and loss. It was a mill which, as Mr. Taylor said, is hanging on the ropes.

That mill we have assumed, as I have said, had in August, 1938, average hourly earnings of 20 cents. Along came the Wage and Hour Law effective on October 24, 1938, which required that mill to increase its average hourly earnings to 25 cents, and that was a blow to the mill that was hanging on the ropes. It loosened the grip of one hand on the ropes so that the mill was thereafter hanging on by only one hand.

On October 24, 1939, under the Fair Wage and Hour Law, a 30 cent minimum will become mandatory and that 30 cents, we will assume, is another blow to this little

mill. That blow will loosen all the fingers of the other hand from the ropes and leave it hanging by the thumb. And let us assume that if a minimum wage of 32½ cents goes into effect, the grip of the thumb will be loosened and the mill will fall to the canvas and take the count.

Under those circumstances, would you say that the final knockout blow to that mill would substantially curtail employment to the textile industry?

A. No, sir.

Q. Suppose that happened to a number of other mills similarly situated. In your opinion, would that result in the substantial curtailment of employment in the textile industry?

A. I don't.

Q. You don't believe that it would?

A. No.

Q. Will you elaborate your answer, please.

A. Because I feel definitely that that kind of a mill is a social liability rather than an asset. They make no contribution to the purchasing power and that whatever work would ordinarily be done in that type of mill would give additional employment elsewhere at decent American wages and that the sooner somebody cuts these thumbs and fingers off some of these plants, the better off American industry will be. I think the day is past when you can expect people to work for 17 and 20 cents an hour. You can't measure those in any economic problems such as has been attempted here this week. I have heard many references to these so-called marginal mills. It is my judgment that if we expect to maintain the present economy, that American industry will have to recognize that they will have to pay their help wages that will give them some measure of decency and security and if management is not capable of doing that, the sooner they get out of business, the better the workers will like it.

That is answering it very bluntly and I am not any economist.

Q. Now, during your experience, how many years have you been working?

A. I have been working all my life.

Q. During that period, have you seen the enactment of other social legislation?

A. I have and I have heard the same cry for every piece of legislation that would have been of any benefit to people in work.

Q. What kind of legislation have you in mind?

A. The Compensation Act, the Social Security Act, any act that tended—the Employment Act the same way—there is always someone raises a cry it is going to bankrupt someone but it doesn't materialize.

Q. In your experience, has the Workmen's Compensation which placed an additional burden on the employer or acts with relation to fire hazards in factories or acts with relation to sanitary facilities in factories and other acts of a similar character, in your experience, have those acts resulted in the curtailment of employment?

A. No, they have not.

Q. Do you see any fundamental difference between acts of that character, imposing additional burdens on the employer, than the Act we are discussing here today?

A. I see no difference at all, only I think this Act has a much more vital effect. The Act such as we have today determines whether the worker is going to live and eat when you talk about a 32½ cent minimum.

Administrator Andrews:

May I ask a question? Are you familiar with Bulletin 13 which we think is a fair interpretation of the hours worked?

The Witness:

I am not.

Mr. Abt:

The witness is not a lawyer, but I would be glad to discuss or argue that question with you.

Administrator Andrews:

You referred to the Philadelphia convention. I think a resolution was passed criticizing the Administrator. Do you remember what that was?

The Witness:

We felt it had taken such a long time for you to establish this minimum wage and we thought we would pass a resolution, letting you know that.

Cross Examination.

By Mr. Wyzanski:

Q. How many workers do you say your organization represents?

A. In the neighborhood of 374,000 designated as members.

Q. Is that approximately 60 per cent of all the workers in the textile industry?

A. I would say it is.

Q. You represent both workers north and south of the Mason-Dixon Line?

A. That is right.

Q. Does your organization recognize any well settled differential in the wage shortly to be paid north or south of the Mason-Dixon Line?

A. No.

Q. Have you in mind Section 8 (c) of the Fair Labor Standards Act?

Mr. Wyzanski:

Will you note that counsel is showing Section 8 (c) of the Act? (Indicating Section.)

By Mr. Wyzanski:

Q. Have you in mind that section?

A. Yes.

Q. Have you in mind the paragraph numbered 2 which directs the Committee and subsequently the Administrator to take into account wages established for work of like and comparable character by collective labor agreements negotiated between employees and employers by representatives of their own choosing?

A. Yes.

Q. In the light of that Section, would you say that the Committee and the Administrator should make a differential between Northern and Southern mills?

A. I do not.

Q. You have already testified that your organization represents workers north and south of the Mason-Dixon Line. Was your organization represented on the Committee?

A. It was.

Q. In your opinion, were the labor representatives on that Committee fairly chosen so as to take into account the regional distribution of the industry?

A. They were.

Q. In your opinion, if the Administrator does not issue the 32½ cent order, will employment be further curtailed?

A. It is my opinion it will.

Q. In your opinion, will the failure to issue this 32½ cent order curtail employment more than the issuance of the Order?

A. It will.

Q. Are you familiar with cost of living of workers north of the Mason-Dixon Line and south of the Mason-Dixon Line?

A. Well, I am—I don't know how you want to put that question "if I am familiar", I am, to a certain extent, I am familiar with the cost of living.

Q. Have you read the summary or the full text of the report of the Bureau of Labor Statistics published on June 4, 1939, showing the relative costs of living north and south of the Mason-Dixon Line, as shown by five typical cities in each area?

A. I think I did read that.

Q. On the basis of your knowledge, would you say that for the same standard of living there is any substantial difference in the cost of living north and south?

A. There is no substantial difference in the cost of living.

EUGENE F. PHELAN.

Direct Examination.

By Mr. Wyzanski:

Q. Mr. Phelan, will you give your full name, your address and the capacity in which you appear at this hearing?

A. Eugene F. Phelan, New Bedford, Massachusetts, a member of the New Bedford Board of Commerce, and a delegated representative of that Board.

Q. Have you heard the testimony which has just been given in the case of the Fall River representatives?

A. Yes, sir.

Q. And before you get into your general statement, I want to ask you whether you agree with the representatives who came from Fall River, that the failure of the Administrator to promulgate a 32½ cent rate would have a worse effect on employment than the issuance of such an order, confining your answer to New England?

A. I do.

Q. Now have you a prepared statement?

A. I have.

Q. Will you be good enough to read your statement?

A. Mr. Administrator:

This brief is submitted from the viewpoint of the community of Greater New Bedford, a great textile-producing center, leaving the discussion of its effect on labor and transportation to other delegated representatives.

The people of the City of New Bedford and the surrounding towns, and particularly the taxpayers, merchants, industrialists, clergymen, those engaged in the professions, newspapers and farm organizations, stand unquestionably in favor of the adoption of a single 32½ cent hourly minimum in the cotton textile industry.

It is their belief that the strong enforcement of this hourly minimum is the promise of the retention of this industry in New England, in Massachusetts and Greater New Bedford, the great field of the fine cotton industry in our United States.

Q. In your opinion, will the promulgation of the 32½ cent rate drive business back from the South to the North?

A. I do not think so.

With it our industrial centers can safely look forward to a more steady employment of our people, textile minded and those trained in our textile schools. With it we can expect a return of that fine tradition of high morale that has placed the New England textile worker at the very peak of the textile industry the world over. With it will come a degree of fair competition, and with this a promise of help to the greatest problem that faces us in New Bedford, the care of our people from now on, or facing welfare.

Q. Have you any idea what percentage of the people in New Bedford are now on relief or receiving similar public assistance?

A. I haven't any idea of the percentage, but I have some figures later in my brief.

Q. Thank you.

A. Opinion.

It is the opinion of, and which is wholeheartedly indorsed by the people of every walk of life in New Bedford and the adjacent towns that the adoption of an equalized wage and hour law will be of value to the United States as a whole, only if it is of strong and fair character, providing the same wage and hour, floor and ceiling limits for each branch of industry in each and every community within the confines of our United States.

Q. I noticed that you used the phrase "equalized wage and hour law". Do you mean that if a 32½ cent rate is promulgated, the wage in the South will be as high as that in the North?

A. No, I should probably have qualified that statement by saying, the establishment of a minimum equalized wage.

Q. You think that the wages will still be higher in the North than in the South?

A. Positively.

Q. Substantially higher?

A. I should say so, yes.

Our people are of the opinion that with it there is opportunity for all—a fair living wage for the worker with decent working conditions; a reasonable return for the capital invested; and a return of industry to its proper place in the industrial centers. Without it, there will be constant strife to the detriment of all. Without it, or with any sectional advantage, it must mean the reverse of what was originally intended when this great movement was started. New Bedford's industrial history gives ample proof of her ability to carry on, once the paths are cleared of unfair obstacles; her people, especially those of Greater New Bedford, are textile-minded, in splendid tradition, passing from one generation to another. We have textile leaders, executives and workers with ability to cope with industrial problems, and we have capital ready and willing to invest in textile expansions or renewals once the opportunity is presented.

It is the strong conviction of the people of Greater New Bedford that it is imperative to enforce at least a single 32½ cent hourly minimum in the cotton textile industry.

REVIEW OF GENERAL PROBLEM—INDUSTRIAL EMPLOYMENT.

Printed in its Municipal Manual under date of May 1, 1925, we find textile industrial information with respect to New Bedford that shows: 72 mill units with a capital of nearly 73 millions—3½ million active spindles—54,000 looms giving steady employment to 40,000 workers—the greater part of these mills manufacturing fine combed textiles. Our City had a taxable valuation of some 220 millions—a tax rate of $26.00—spending $1,600,000 on our schools, $550,000 on our police department, $513,000 on our fire department, and carrying but $450,000 for our welfare load.

Massuchusetts during this period was one of the leading textile States in the production of all classes of textiles. It is well to remember that New England was then the leading industrial section of our country, and Massachusetts one of the leading industrial States in our Union. Seriously, just what can we do in Massachusetts to care for our people unless it is industry? We cannot turn to agriculture in a sufficient way to care for our needs. We have no mines to give employment, and while it is true that our fishing industry is increasing, still it is not sufficient to care for the needs of a thickly populated State. We have no farming area in Massuchusetts for the people to go back to in order that they may exist. Industry it was—industry it is—and industry it must be. By industry alone can our people be given the opportunity to work and earn a decent wage, to live and support their families.

The upheaval in the economic structure of the world has struck a hard blow at New Bedford. In contrast to the satisfactory position of 1925, we now find the picture so familiar to all—mill after mill closed—torn down, moved away—never again to produce payroll or to offer employment.

A picture today that contrasts so noticeably with the previous one: from the original New Bedford 72 mill units, there are left but 60 mill units—41 have machinery still in place and afford employment for people on broken time; the other 19 mill units, closed for the most part, are divided as follows: Reconstruction Finance Corporation owned—2; privately owned—10 held for rental purposes; closed and awaiting disposal—3; owned by City of New Bedford—4. A greatly reduced capital structure of 16 million; 1,800,000 spindles, partly active; 18,572 looms offering part-time employment to approximately 18,000 in the manufacture of fine combed textiles. A property valuation of some 104 million, a 1938 tax rate of $45.60—now spending $1,300,000 on our schools with practically no reduction in our school enrollment, $425,000 on our police department, $375,000 on our fire protection, a direct 1938 welfare load of $1,050,000 that is increasing monthly. This welfare amount does not include the large sum necessary for associated work along this line that comes from outside sources.

Slowly, but surely, there comes into this picture an important level to which little attention was given heretofore. This level is payroll. Payroll is the life stream that gives every community its activity, its ability to pay for the cost of good government; the possibility to purchase the needed things of life from the wholesaler and the retailer. With it, our people, our merchants, our industries are contented—without it, there is a struggle for all.

We find, from the viewpoint of the payroll dollar, in so far as municipal finance is concerned, that the stopping of outgoing welfare dollar is as important as the incoming tax dollar.

Q. Has there been prepared, under your direction, a chart that shows the industrial data for the City of New Bedford?

A. Yes.

Mr. Wyzanski:
I offer that chart as Exhibit No. 55.

Administrator Andrews:
Is there any objection? If not, it may be admitted.

(EXHIBIT No. 55, National Association of Cotton Manufacturers, Witness Phelan, received in evidence.)

By Mr. Wyzanski:
Q. Have you also prepared a chart showing New Bedford textile valuations from 1923 through 1936?
A. I have.

Mr. Wyzanski:
I offer that as Exhibit No. 56.

Administrator Andrews:
Objection? It may be received in evidence.

(EXHIBIT No. 56, National Association of Cotton Manufacturers, Witness Phelan, received in evidence.)

By Mr. Wyzanski:
Q. Have you also prepared an exhibit of total valuations in New Bedford, showing the years 1927 through 1938?
A. I have.

Mr. Wyzanski:
I offer that as Exhibit 57.

Administrator Andrews:
Is there any objection? If not, it may be received in evidence.

(EXHIBIT No. 57, National Association of Cotton Manufacturers, Witness Phelan, received in evidence.)

By Mr. Wyzanski:

Q. Now do you want to describe those exhibits, please, using the numbers 55, 56 and 57, instead of your numbers 1, 2 and 3?

A. Yes.

No. 55, Exhibit 55, is a chart prepared showing the names of the various mills and other industries in the City of New Bedford; the 1938 Going and Stopped industries; the Number of Mills, 1927 and 1938; the Condition of Mills, 1938; The Capital Structure, 1925 and 1938; the Spindles of 1925 and the Spindles of 1936. The reason that 1936 was used has been explained by Mr. Sevigny of Fall River.

Q. Would you state it again?

A. Yes. In 1936, the Legislature of Massachusetts created by law a taxation on machinery.

Q. And thereby took away the power of the local authorities to tax?

A. That is true.

The Looms of 1925; the Looms of 1936; the Employees of 1925; and the approximate Employees of January 1, 1939; the Real Estate Value of 1927 and of 1938; the Personal property value of 1927 and of 1936; and the total tax of 1927 and the total tax of 1938.

Exhibit 56 is a photostatic copy of textile valuations for various years, with the total City Valuations; Total Tax Rate; Textile Real Estate Valuations; Textile Machinery Valuations; the Total Textile, Real Estate and Machinery Valuations; Number of Spindles; the Assessed

Value Per Spindle, Machinery; and the Assessed Value Per Spindle, Machinery and Real Estate—with a chart showing the demonstrated loss.

The chart, Exhibit 57, shows the New Bedford valuations of real estate; Personal Property Values; Total Taxable Values; State Tax; County Tax; Poll Tax; and Tax Rate, with the demonstrated loss.

(Continuing:)

Welfare Cost Data: A study of this problem demonstrates how important this condition has become. Before entering into any discussion on this subject, we believe that a clear statement should be made. It is absolutely necessary that welfare continue, even to the extent that it be doubled, for within our Nation, our State, or our City, there should be no one allowed to suffer hunger, to be without shelter, medical aid, or clothing. Every possible thought and action should have as its base a motive to the creation of employment with payroll production.

It is a moral, as well as a civic duty, for those with to help those without. No one questioned Old Age Assistance, Public Welfare Aid to Dependent Children, Military Aid, Soldiers' Relief, Soldiers' Burial, State Aid, and ERA, PWA, WPA or other Work Relief.

It is clear that conditions beyond our control have caused the situation with which we now contend, but in fairness to those who, through necessity, have had to seek help, few of them have any other desire but to secure a job and to support themselves and their families.

The Welfare Picture.

In 1927 the City of New Bedford took care of its poor according to the laws of the State. It operated an in-

firmary, furnished relief to the aged, and gave direct relief to those unable to care for themselves. The cost was:

Outside Relief	$288,351
Mother's Aid	45,283
City Infirmary	81,541
	$415,175

Also, there was separate relief to soldiers at a cost of $94,075.

In General Welfare there were about 725 families and for the Soldiers about 275 cases.

In the period between 1927 and 1938 there were a number of factors which increased the welfare load: assistance to the aged was liberalized, mother's aid became aid to dependent children, and, with the idea of taking care of the employables there were various forms of work relief —ERA, PWA, and WPA which not only took local funds but were carried on by Federal Grants of large amounts. In 1938 it is difficult to tell a comprehensive story which will fairly compare with 1927.

We have, in 1938, this situation:

Direct Relief Program with City Funds:

Outside Relief	$ 808,297	
Infirmary	64,478	
Old Age Assistance	399,519	
Aid to Dependent Children	85,007	
	$1,357,301	$1,357,301

Grants from Federal Government:		
Old Age Assistance	$ 444,075	
Aid to Dependent Children...	25,470	
	$ 469,545	$ 469,545
Soldiers' Relief from City Funds ..		121,105
Work Relief Program (this does not include a small amount of PWA):		
City Funds WPA		358,120
Federal Funds		2,015,061
Grand Total		$4,321,132

It is difficult to discover the number of people involved in this whole program—some light on this subject is:

Direct Welfare cases—average...	2419 for the year
Old Age Assistance (Individuals).	2770
Soldiers' cases	256
City Infirmary cases	205
On WPA approximately	3000

New Bedford is doing its best to maintain what has become to be known as the American Standard of Living by paying good wages, but it finds that with those wages it cannot meet competition and has forced upon it the huge welfare and relief load outlined above.

The following table shows the New Bedford increase in welfare cost from 1927 to 1938:

	1927 Expended— 12 months	1938 Expended— 12 months
Old Age Assistance	.....	$ 399,518.97
Public Welfare	$ 400,519.56	872,785.25
Aid to Dependent Children..	.....	85,007.55
Military Aid	622.00	8,275.00
Soldiers' Aid	50,928.38	112,829.71
WPA	.....	25,000.00
	$ 452,069.94	$1,503,416.48

1938	$1,503,416.48
1927	452,069.94
Increase	$1,051,346.54

The above figures are from the statement of the City Auditor for the City of New Bedford as of the close of each year.

Q. Were most of the people who are receiving public assistance either formerly textile operatives, or members of families of textile operatives?

A. The greatest percentage of those who are receiving help are former textile operators.

It must be pointed out that the figures used are net and not gross. Any credits coming from the Federal or State governments will not materially reduce this net figure.

These figures only represent the amounts which appear in the direct tax rate and do not take into consideration the other amounts from transfers, by special borrowings, or tax title loans. These additional items will increase the totals by between 400,000 to 500,000. Let us say again, payroll producing employment is the only cure for this situation.

PAYROLL.

The production of payroll is at the present time the most important function of government. Massachusetts as a Commonwealth and Greater New Bedford as a visible part of this Commonwealth depend on its industrial payroll for its very existence. Both must have industrial payrolls. Without it, the suburban communities now having a reasonable tax rate would be forced to care for many of their citizens now earning their living in our industries, and soon find themselves with tax rates that will equal those now in effect in the industrial centers.

New Bedford's tax rate demonstrates this position with a 1938 rate of $45.60 per thousand while the neighboring towns of Fairhaven, Acushnet, Dartmouth and Westport have rates of from $10.00 to $15.00 less per thousand.

Because of conditions beyond control, industrial payrolls have been surprisingly lessened. New Bedford shows a loss of payroll in 1938, up to and including November 26, 1938—48 weeks—against the same 48 weeks in 1937 of $9,061,300 in its textile and other industrial payrolls.

48 Weeks	Textile	Other Industry	Total
To Nov. 26, 1937	$15,403,862.80	$8,808,747.52	$24,212,610.32
To Nov. 26, 1938	8,085,067.68	7,066,242.06	15,151,309.74
Loss	$7,318,795.12	$1,742,505.46	$9,061,300.58

It is generally understood that a payroll dollar turns over three times in a week. If this be the case, it demonstrates a direct loss in spending possibilities of $27,000,000. If such a condition exists in Greater New Bedford, is it not reasonable to say that the condition must be somewhat the same in other industrial sections of Massa-

chusetts? If this is so, it is a serious problem and must be remedied before it is too late. The question close at hand is how long can we in Greater New Bedford hope for employment of our people in our textile industries. Unless federal action is taken immediately to correct this situation and make it possible for our industry to continue with its policy of fair wages to our workers, without loss to capital structure, liquidation will be compulsory. The immediate establishment of, and the strong enforcement of a single 32½ cent hourly minimum in the cotton textile industry is by far the most effective medium to offset the stoppage of textile payrolls in Greater New Bedford. A review of the conditions of the City of New Bedford citing 1927 and 1938:

	1927	1938.
Condition of City and Her People....	A happy, contented and growing city.	An unhappy, struggling and shrinking city.
Home Ownership	Textile workers owning their homes.	Homes being lost because of inability to pay.
Retail Business	Fine healthy condition.	At a low ebb—vacant stores and tenements.
Tax Rate	Low—$27.60.	High—$45.60.
Welfare Load	Minimum—app. $400,000.	High—app. $1,500,000.
Assessed Valuation	$222,000,000.	$104,000,000.
Real Estate in Possession of City of New Bedford by Tax Title Account through Non-payment of Taxes (City Auditor Report)...	$7,377.97.	$471,665.66.
Real Estate now in Title of Savings Banks held by Foreclosure and Possession (Bank Reports)	$37,653.35.	$3,284,290.92.

	1927	1938
Invested Capital	$73,000,000.	$16,000,000.
Capital Earnings	An assured return.	No assurance of return.
Spindles	3½ million active.	1¾ million partly active.
Looms	54,000 active.	18,572 partly active.
Employment	35,000 to 40,000 employed on full time.	12,000 to 18,000 on part time.
Weekly Payrolls	$600,000 to $800,000 average weekly.	$200,000 average—dropped to a low of $90,000.
Educational, Fire, Police, Health Depts.	Sufficient for adequate management.	Severely reduced, yet with school enrollment on a par with 1927.

What proof can be submitted that is stronger than the words of the objecting South themselves. The photostatic copy (No. 4) of a full-page advertisement published in "The Journal and Carolina Spartan"; Spartanburg, S. C., under date of December 10, 1929, by the Cotton Manufacturers' Association of South Carolina, titled "Shall We Profit by the Experience of Others?" This summarization is so adequate of itself that it is sufficient alone if no other argument was presented to not only establish but to rigidly enforce a single 32½ cent hourly minimum in the textile industry.

Quoting from that photostatic copy, we find how Lawrence, Fitchburg, New Bedford, Taunton and some 75 other Cities and Towns in Massachusetts have suffered a loss of textile mill units, ranging from 24 in Lawrence, to 1 or 2 in the group of 75.

Mr. Wyzanski:

I offer that chart, to which you have just been referring, as Exhibit No. 58.

Administrator Andrews:

Any objection? It may be admitted.

(EXHIBIT No. 58, National Association of Cotton Manufacturers, Witness Phelan, received in evidence.)

By Mr. Wyzanski:

Q. Can you describe Exhibit 58 for the record?

A. Exhibit 58 is a photostatic copy of a full page advertisement, under date of Tuesday, December 10, 1929, published in The Journal and Carolina Spartan, Spartanburg, S. C., by the Cotton Manufacturers' Association of South Carolina, and entitled, "Shall We Profit by the Experience of Others?"

Summary. (Continuing:)

In the presentation of the arguments for the people of Greater New Bedford, there has been set forth the condition of the textile industry during the past ten years, its present condition, what it faces in the future, and what the adoption of a single 32½ cent hourly minimum in the cotton textile industry means, not only to Greater New Bedford, but to the Commonwealth of Massachusetts and New England.

The figures used are of record in the Municipal Building in New Bedford, Massachusetts, and statements of fact have been carefully checked for accuracy. What stronger argument is needed for the establishment of a single 32½ cent hourly minimum in the cotton textile industry than the contrasting picture. First, 1927 with 73 million dollars invested in textile mills—3½ million active spindles, an assured return to the invested capital —54,000 active looms—giving employment at full time to 40,000 workers—weekly payrolls of ¾ of a million dollars —a happy, contented and growing city. Textile workers owning their own homes; retail business in a fine, healthy condition; a low tax rate; a minimum welfare load; a total assessed valuation of 222 million dollars; a sufficient educational expenditure for our children; ample protection from our police, fire and health departments; by reasonable budget allowances.

Now—1938: invested capital shrunk to 16 million dollars, no assurance of return to the invested capital; 1¾ million partly active spindles—18,572 partly active looms, giving employment to approximately 18,000 workers on part time—weekly payrolls that average $200,000 and in one week dropped as low as $90,000; an unhappy, struggling and shrinking city. Homes lost because of inability to pay; retail business at a low ebb; vacant stores and tenements; a high tax rate; a staggering welfare load;

a total assessed valuation of 104 million dollars; yearly educational budget with approximately the same enrollment cut by about ½ million dollars; police, fire and health departments with severely cut budget allowances; mills closed; torn down; in the Federal Bankruptcy Court —the remaining units struggling to meet unfair wage competition. Many using their dwindling reserves to keep going, all hoping for some break that will help them in their struggle. Our people, our industries, our merchants, our municipal officials and our labor officials have kept the traditional New England faith, constantly looking ahead, making the best of what is at hand, supreme in their confidence in our Government that it will find a way to once again effect a condition that will return textiles to a satisfactory position in a field in which they are proven leaders. We, in Greater New Bedford, feel that the wage and hour law will be a most important ray of hope, surely the best assistance that has come in the past ten years. It will give us a lift to carry on on a more nearly equal basis; a renewal of courage to all our people in withstanding the hardships too long endured; a feeling of faith in those who govern that the governed will have equitable opportunities.

The people of Greater New Bedford unite in entirety for the establishment of a single 32½ cent hourly minimum in the cotton textile industry in justice to all.

Administrator Andrews:

Are there any questions?

Cross Examination.

By Mr. Ballew:

Q. Mr. Phelan, can you tell me the relative position of textile wages as compared with other industrial wages in your section?

A. At the present time?

Q. Yes, generally speaking at the present time, and in the past, what has been its relative position?

A. Well, at the present time, the figures of 1938 show that the textile payroll was about twice the other industrial payroll in the City of New Bedford.

Q. I am afraid I haven't made myself clear,—as to whether or not other industries pay higher wages or lower wages than the textile industry?

A. I should say that the needle trades in the City of New Bedford probably pay slightly lower, and possibly the machine trade and cordage might pay on the same base. I doubt very much if you would find, except in the building trade and crafts, a higher wage than we have in textiles.

Q. So then, the textile wage in your particular area is not set or controlled by the wages paid in other industries?

A. No, I don't think it is anywhere, is it?

Q. Well, I don't know, sir, I am not testifying.

A. I think that New Bedford has always had the reputation of paying a very high textile wage.

Q. There was just one statement made in the first part of your brief that I think I understand what you meant, but I want to be sure. You know, of course, that there are certain governmental agencies, which, for the past several years, have been quite active in procuring the establishments of industrial plants in what you might call more or less rural areas—you are familiar with that fact?

A. May I get that statement again, that there are governmental agencies—

Q. (Interposing.) That have been interested.

A. Governmental agencies?

Q. Yes.

A. In establishing industries?

Q. Not in the Government establishing industries, but in the procuring of industries to establish more plants in rural areas.

A. I never knew of any governmental agency, no.

Q. You never heard of the activities of the TVA in that respect?

A. No.

Q. I take it that this statement in your brief means that you would be against such a thing, "a reasonable return for the capital invested, and a return of industry to its proper place in the industrial centers"?

A. No, sir.

Q. In other words, you are against the further industrialization of agricultural communities and agricultural areas?

A. I am, yes, sir.

BORIS SHISHKIN.

Administrator Andrews:

Before you start, Mr. Shishkin, I see we expect to have two Congressmen here at 11 o'clock. Would you mind, perhaps—

Mr. Shishkin:

I will be glad to yield.

STATEMENT OF MR. BORIS SHISHKIN.

The Witness:

The name is Boris Shishkin, Economist with the American Federation of Labor. Mr. Administrator, I appear at this hearing on behalf of the American Federation of Labor, and also on behalf of the United Textile Workers of America, which represents a large portion of employees in the textile industry.

The interest of the American Federation of Labor in this proceeding extends not only to the effect of any minimum wage determination to be made by the Administrator on the basis of the recommendations made by the Industry Committee, but also to the effect of such determination on the industry generally and on the economic standards and well being of the wage earners generally as the effect of any such minimum wage determination must extend to the wage structure of industry as a whole.

This is especially important in view of the fact that this is the first determination to be made.

Before I go any further with the consideration of the recommendations of the Committee, I should like to present a statement by President Green of the American Federation of Labor, who has given the recommendations to the Committee close personal study.

I will now read the statement from President William Green of the American Federation of Labor, with regard to the recommendations by Industry Committee Number 1.

On behalf of men and women workers who are members of unions affiliated with the American Federation of Labor throughout the Nation, I wish to take this opportunity to urge your approval of the report and recommendation of Industry Committee No. 1 regarding the minimum wage rate to be fixed and promulgated by you for the textile industry under the Fair Labor Standards Act of 1938.

The report of the Committee and its recommendations are based upon voluminous evidence and testimony adduced before the Committee in the course of that hearing. It represents the mature judgment of the majority of the Committee and has met with widespread approval of the impartial students of the problem, representatives of labor as well as important and representative groups of employers in the industry.

The primary purpose of the Fair Labor Standards Act is to place an economic floor under wages in order to eliminate sub-standard labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers. The 32½ cent minimum wage recommended for the textile industry is the first step toward the elimination of these conditions in this industry in full accord with the mandate of Congress.

The textile industry as defined in the present proceeding has been a low-paid major industry in which thousands of workers have been receiving a substandard return from their labor and have, therefore, been held down to substandard living.

Over a period of years, I have maintained a close personal contact with the daily problems of the men and women who derive their livelihood from their work in

the textile mills. I have visited these workers, I have talked with hundreds of them, and over many years, as President of the American Federation of Labor, I have almost daily received letters and communications not only from textile workers' unions but also from individual workers highly skilled, semi-skilled, and unskilled, who have told me of their plight, who have described to me their needs, and who have sought counsel, advice and assistance.

When six years ago the first experimental effort was made to provide for minimum wage regulation in the Textile Industry, I devoted much time to a personal study of all available economic facts bearing upon the wage problem of the textile worker. As the result of these studies and first-hand experience, I was able to examine the findings of the Committee well aware of the implications of the problem before them.

My careful reading of the report and of the evidence considered by the Committee has led me to a firm conclusion that there is every justification, economic as well as legal, for the promulgation of the minimum wage recommended in order to carry out the purposes of the Act without placing any undue or unreasonable burden upon the members of the Industry and without in any way curtailing employment of the earning power of the workers.

The available data on costs, competitive conditions, profits, cost of living and other factors prove conclusively that a single minimum for the entire industry dealt with by this committee is fully justifiable and equitable.

In this proceeding, Mr. Administrator, you are setting a precedent for minimum wage determination in all industries which are still to come before you. In view of this, a solemn duty devolves upon me as the President of the American Federation of Labor to stress the paramount importance of the fact that the minimum standard

to be established for this industry will be used as a point of reference by employers in all industries and that, therefore, raising the substandard wages up to the minimum will have a wide and vitally important ramification throughout our entire economy by increasing the purchasing power of important groups of workers and by wiping out the depressed and sub-standard wage areas which have persisted as stagnant sources of economic disease which had infected and weakened our entire body economic.

The United Textile Workers of America affiliated with the American Federation of Labor represents an important major group of workers in the Textile Industry. More detailed and more specific evidence will be presented by the officers and members of this union in the course of the present hearings.

For my part, I urge your approval of the Industry Committee's report not only as a matter of vital need and economic necessity for the textile workers, but also as a matter of broader statesmanship envisaged by Congress and embodied in the mandate of Congress to you as the Administrator of the Fair Labor Standards Act of 1938.

STATEMENT OF JOHN ABT, COUNSEL FOR TEXTILE WORKERS UNION OF AMERICA.

However, without waiving the objection which I stated on Friday, and renewed again today, if Mr. Taylor cares to have us do so, I now offer to do the following:

I will produce a witness familiar with the facts, having full knowledge of the records, who will testify to the following:

1st. The number of textile workers in the cotton textile industry, or in the whole industry, as defined by the Administrative Order, who have signed cards for obligation in, and have been accepted as members of the Textile Workers Union of America.

2nd. The number of Labor Board elections in which the Textile Workers Union of America has been designated by a majority of those voting as the exclusive bargaining representative of the workers. We shall also give the figures showing the total number of workers covered by those elections.

In addition to that we are perfectly willing and ready to break down those figures to show the number of applications and the number of workers, and so forth, in successful Labor Board elections north of the Mason-Dixon Line, and similarly south of the Mason-Dixon Line.

As to Mr. Taylor's request No. 2, again without waiving the objection, which I made on Friday and renewed today, but for the purpose of co-operating as fully as possible within the limits of proper trade union policy with Mr. Taylor and with the Administration, we offer to do the following:

We will produce a witness, thoroughly familiar with the facts, who will testify as to the number of establishments in the textile industry as defined by the Administrator with which the Textile Workers Union of America has contracts, the number of those establishments north of the Mason-Dixon Line, a d the number of those establishments south of the Mason-Dixon Line.

We do most earnestly and strenuously object, and will not voluntarily produce those contracts themselves. We take that position for a very obvious reason. Our contracts are as much a trade secret of our union as the prices at which a cotton mill sells its products to specific competitors is of that cotton mill. Were we to disclose the names of the mills with whom we had contracts, and all of the terms of those contracts, it would seriously and very obviously embarrass us in negotiating contracts with competitors of those mills:

3rd. In respect to Mr. Taylor's third request, with the reservation again that we cannot and will not introduce in evidence our contracts, we have no objection whatsoever to giving to Mr. Taylor and to presenting in evidence a full statistical compilation of the minimum wage provisions of our collective bargaining agreements.

That compilation will show, insofar as our collective bargaining agreements establish minimum wages, the number of contracts north of the Mason-Dixon Line, and the minimum wages specified therein for each branch of the industry, and the number of contracts south of the Mason-Dixon Line, and the minimum wages, if any, specified therein for each branch of the industry.

With respect to this last matter, I want to make one further suggestion. As I indicated to the Administrator on Friday, the job which Mr. Taylor requested in his third request has in effect already been done by the Bureau of Labor Statistics. Mr. Hinrichs, Chief Econo-

mist of the Bureau of Labor Statictics brought before the Industry Committee at its hearings in Washington certain information. He there stated that his bureau had made an examination of 800 contracts between the Textile Workers Union of America and various textile manufacturing companies, that he found as a result of that examination that of the 800 contracts, 300 specified minimum wages.

He then proceeded to summarize very briefly the result of those minimum wage findings.

The task of compiling the data which he obtained from the contracts was not complete at the time that he testified. I would suggest, in the interest of time, if Mr. Taylor so desires, and if the Bureau of Labor Statistics is willing to undertake that task, that it complete its analysis of those figures, putting them in the form of such schedules as Mr. Taylor may request, and the Administrator and our organization approve.

I suggest this for two reasons, first, as a time saver because it is a considerable job to examine or re-examine 800 contracts, and segregate and analyze the information contained in them, and, second, because although I have no doubt of the accuracy of any study which we may make, I feel both the Administrator and Mr. Taylor will be better satisfied with the results of a study of a wholly independent organization, a government bureau whose impartiality and accuracy is totally beyond dispute.

As I say, I am making these offers. If Mr. Taylor cares to accept them, I shall proceed at such time as the Administrator may direct to produce the witness to whom I referred, and try to arrange with him for the preparation, or to prepare ourselves the analyses which he requested in his third request.